Employment Insurance
2004 Monitoring and Assessment Report

Submitted to:

The Minister of Human Resources and Skills Development Canada

March 31, 2005

By:

The Canada Employment Insurance Commission

Prepared by:

Human Resources and Skills Development Canada
Employment Programs Policy and Design
Employment Insurance Policy

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Enquiries Centre
Human Resources and Skills Development Canada
140 Promenade du Portage
Portage IV, Level 0
Gatineau, QC K1A 0J9
Fax: (819) 953-7260

Available on the Internet at: http://www.hrsdc.gc.ca

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Canada Employment Insurance Commission / Commission de l'assurance-emploi du Canada

March 2005

The Honourable Lucienne Robillard
Minister of Human Resources and Skills Development
Place du Portage, Phase IV
140 Promenade du Portage
Gatineau, Quebec
K1A 0J9

Dear Minister Robillard:

We are pleased to present the *2004 Employment Insurance Monitoring and Assessment Report*, the eighth in a series of annual reports submitted by the Canada Employment Insurance Commission under section 3 of the *Employment Insurance Act*.

This eighth report focuses on the period April 1, 2003 to March 31, 2004—the seventh full fiscal year the reformed Employment Insurance (EI) system has been in place. The report presents a detailed analysis of the overall effectiveness of EI income benefits and active measures. The analysis compares results for 2003/04 to 2002/03 as well as trends since the implementation of reforms in 1996/97.

The 2004 report provides information on the comprehensive evaluation that is being undertaken to assess EI income benefits. To further improve transparency and ensure balanced reporting of findings, a supplementary annex provides a summary of the key studies and evaluations that are referenced in the report. The report also provides preliminary findings on the effectiveness of Employment Benefits and Support Measures that are delivered under the Labour Market Development Agreements.

As we pointed out in previous years, you should note that our findings on the impact of changes to the EI program for this period are based on available data. For example, as it takes several months following the end of a claim before administrative information is available for analysis, the information about claims that started in the latter part of 2003/04 will only be available later. In addition, information on measures such as the benefit repayment provision comes via the tax system; therefore, the most recent information on this provision is for 2002.

We trust you will find the report informative.

Alan Nymark
Chairperson

Anthony Dohlfarth
Commissioner for Workers

Roger Légaré
Commissioner for Employers

Canada

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The Employment Insurance (EI) reform, introduced in July 1996 and January 1997, represented the most fundamental restructuring of the Unemployment Insurance program in 25 years. That is why the Government of Canada included a legislative requirement for the Canada Employment Insurance Commission to monitor and assess the impacts of the reform in a series of five reports covering the years 1997 to 2001. In light of the need to modify the EI program in the context of sound evidence,[1] the monitoring and assessment requirement was extended for an additional five years, from 2001 to 2006. Findings from previous reports led to the changes introduced in Bill C-2, an *Act to Amend the Employment Insurance Act* and the *Employment Insurance (Fishing) Regulations*, which received Royal Assent on May 10, 2001, and Bill C-49, an *Act to Implement Certain Provisions of the Budget Tabled in Parliament on December 10, 2001*, which received Royal Assent on March 27, 2002. EI regulations were also changed because of the monitoring and assessment process. Modifications to the rules concerning small weeks came into effect on September 7, 2003. Most recently, on January 4, 2004, the Government of Canada introduced new compassionate care benefits for Canadians who are eligible for EI, and on June 6, 2004, a pilot project to test new measures to help seasonal workers was implemented.

This is the eighth Employment Insurance Monitoring and Assessment Report and it focuses on the fiscal year beginning April 1, 2003 and ending March 31, 2004, the seventh full fiscal year that the Employment Insurance system has been in place.

Chapter 1 gives an overview of the Canadian labour market. Chapter 2 provides an overview of Part I EI benefits (income benefits). The support provided to unemployed workers through active re-employment measures, known as Employment Benefits and Support Measures (EBSMs), is discussed in Chapter 3. Chapter 4 presents an overview of program administration including the Modernizing Service for Canadians initiative. In Chapter 5, the impacts and effectiveness of EI are analyzed, including reports on the preliminary findings of the EI summative evaluation.

I. CANADA EMPLOYMENT INSURANCE COMMISSION

The Canada Employment Insurance Commission has four members who represent the interests of government, workers and employers. The Chairperson and Vice-Chairperson (the Deputy Minister and Associate Deputy Minister of Human Resources and Skills Development Canada) represent the interests of the federal government. The Commissioners for Workers and Employers represent the interests of workers and employers, respectively. Among its other responsibilities, the Commission has been assigned the legislated mandate to monitor and assess the impacts of EI reform. The Employment Insurance Commission must provide the Minister with the report no later than March 31. The report is then to be tabled by the Minister in Parliament.

The 1996 reform was far reaching, affecting the fundamental design of the program. The 2001 and 2002 amendments reflected the program's responsiveness to changing economic and labour market conditions.

[1] The Monitoring and Assessment Report makes use of many sources of information in analyzing the effects of the changes introduced under Employment Insurance. In addition to Human Resources and Skills Development Canada (HRSDC) administrative data, Canadian Out of Employment Panel (COEP) studies and information from Statistics Canada, evaluation studies that are funded by HRSDC are also used. As in previous reports, this report includes references to evaluation studies that touch on both Part I and Part II benefits of the *Employment Insurance Act*.

The monitoring and assessment process helps to provide a broader understanding of the effectiveness of changes implemented. It reports on the impact of reforms on individuals, communities and the economy and helps contribute to the evolution of the program by providing feedback on how EI is assisting Canadians with temporary income support and re-employment measures.

II. LEGISLATED MANDATE

Specifically, section 3(1) of the *Employment Insurance Act* states the following.

"The Commission shall monitor and assess:

a) how individuals, communities and the economy are adjusting to the changes made by this Act to the insurance and employment assistance programs under the *Unemployment Insurance Act*;

b) whether the savings expected as a result of the changes made by this Act are being realized; and

c) the effectiveness of the benefits and other assistance provided under this Act, including

   (i) how the benefits and assistance are utilized by employees and employers; and

   (ii) the effect of the benefits and assistance on the obligation of claimants to be available for and to seek employment and on the efforts of employers to maintain a stable workforce."

In addition, under Bill C-2, section 3(2) of the *Employment Insurance Act* was amended to extend the monitoring and assessment process to 2006 and to allow the Commission more time for proper consultations with the provinces and territories in the preparation of the report. The Act now states that:

"The Commission shall report to the Minister on its assessment annually from 2001 to 2006, no later than March 31 following the end of each of those years. The Commission shall make any additional reports at any other times, as the Minister may request."

Executive Summary

This eighth Employment Insurance (EI) *Monitoring and Assessment Report* continues the annual examination of EI from the perspective of the economy, communities and individual workers. The report also examines the use of the program, its impacts and effectiveness, the use of active re-employment measures and employers' management of their work force. The analysis focuses on the fiscal year between April 1, 2003, and March 31, 2004. Trends identified in previous reports, as they relate to the more recent findings, are discussed.

Chapter 1 provides an overview of the Canadian labour market during the reporting period. The use of income benefits is described in Chapter 2 and participation in active re-employment measures, known as Employment Benefits and Support Measures (EBSMs), is discussed in Chapter 3. An overview of program administration, including initiatives to improve service delivery, is presented in Chapter 4. Finally, Chapter 5 provides analysis of the impact and effectiveness of the EI program from various perspectives.

Labour Market Context

Fiscal 2003/04 was marked by a series of unanticipated temporary economic shocks, from the outbreak of severe acute respiratory syndrome (SARS) and the first case of bovine spongiform encephalopathy (BSE), to a widespread power outage in Ontario. There were forest fires in the West and a hurricane and major winter storms in the East. Over the same period, a softwood lumber dispute with the United States continued, and there was a strong appreciation in the Canadian dollar.

Despite these setbacks, Gross Domestic Product (GDP) grew by 1.7% over the fiscal year, Canada's labour force participation rate reached a new high of 67.6% and employment grew by 288,900 jobs (+1.9%). Most of the job gains for the year were in full-time employment and in the services-producing sector. Paid employment increased by 222,500, while self-employment accounted for the remainder of the overall increase (+66,400). The average number of hours worked per week declined in 2003. Seasonal employment declined in 2003/04.

Employment growth in 2003/04 was strongest in Alberta (+2.7%) and British Columbia (+2.4%), while Prince Edward Island (+2.2%) and Ontario (+2.2%) also experienced employment growth in excess of the national average. Ontario's employment increase of 135,200 jobs accounted for nearly half of the country's overall job growth.

Education continues to be a critical factor in determining labour market outcomes, as job growth was highest among those with post-secondary education, while employment among individuals with less than a high school diploma fell.

Though the national average unemployment rate for the fiscal year, at 7.6%, was unchanged from the previous fiscal year, the rate did fluctuate monthly over the period and reached 7.9% for August and September 2003. Employment growth in the third quarter brought the unemployment rate down later in the year. The unemployment rate for older workers remained stable, while the rate for youth increased by half a percentage point over the fiscal year.

EI and the Economy

In 2003/04, there were 1.97 million new claims for EI benefits, an increase of 5.6% over the previous year. Income benefits paid increased by 7.0% in 2003/04, to reach $13.2 billion.

The program plays a moderate role in stabilizing the economy. In the context of three simulated economic shocks, three independent macro-simulation models estimate

the stabilization effect of EI to be between 3.8% and 6.5% of jobs and between 2.7% and 6.2% of GDP. A recent study also determined that there is a high degree of labour mobility across communities—EI does not act as a barrier. Labour mobility is an important ingredient of an efficient and effective labour market.

The EI program also plays a redistributive role in the Canadian economy, resulting in a net redistribution of income from high earners to lower-earning individuals. Income tax data also reveal that EI plays a role in redistributing income towards regions with higher unemployment and towards industries in which employment tends to be more seasonal than others.

EI and Communities

Ongoing monitoring of 14 representative communities across the country indicates the EI program continues to be responsive to changes in these local labour markets, despite differing economic conditions across the country, by automatically adjusting entitlement and eligibility.

EI and Individuals

Access to Benefits

An expert review of EI coverage measures that have been reported in past editions of the *Monitoring and Assessment Report* was undertaken. This review recommended that EI coverage measures be strengthened and improved and that a range of measures would provide a more helpful assessment of accessibility.

The ratio of EI beneficiaries to the number of unemployed (the B/U ratio) was 43.9% for 2003. As documented in previous reports, there are important caveats associated with this measure, since it includes individuals not covered by the EI program (such as the self-employed and others who do not pay into the system). An alternative ratio, suggested by the expert review, comparing the number of EI beneficiaries to unemployed EI contributors (the B/UC ratio), was 61.6% in 2003.

Other measures of access from the Employment Insurance Coverage Survey indicate that, among unemployed individuals previously in paid employment who had a recent job separation that qualified under the EI program, 83.7% were eligible to receive EI benefits in 2003. There are variations in accessibility across demographic groups and employment status. The level of access for unemployed adult men (91.4%) was higher than for adult women (83.9%), while access was 91.9% for individuals who had previously worked full-time compared to 48.5% for those who had worked part-time. Lower access to EI among women reflects their different work patterns, as women are more likely than men to work part-time. Access for youth is also lower, as they are more likely to be new entrants to the work force, and thus face higher entrance requirements, and are also more likely to work part-time hours. In December 2002, 36.9% of youth who were new entrants or re-entrants would have had sufficient insurable hours to collect EI benefits (that is, they had more than 910 insurable hours) versus 83.4% of the youth who were not new entrants or re-entrants.

A study of unemployed older workers (aged 55 and over) found there was no difference between the percentage of older workers and workers aged 25 to 54 qualifying for or collecting EI between October 2000 and September 2002. Older workers tended to remain unemployed longer—33.6 weeks compared to 23.3 weeks for workers aged 25 to 54.

Among unemployed individuals previously in paid employment who had a recent job

separation that qualified under the EI program, immigrants were less likely in 2003 (80.3%) to be eligible for EI than Canadian-born workers (84.7%). Analysis based on Statistics Canada's Longitudinal Immigration Database for the tax year 2001 indicates that few recent immigrants access the EI program. Access among immigrants tends to increase within two to three years of landing, and then decline as the number of years since landing increases. Overall, immigrants tend to access the program in a proportion similar to that of all tax filers in Canada (15.2% versus 15.0%).

Bill C-2 (October 2000) redefined the classification of a new entrant or re-entrant (NERE) to the labour market to ensure parents returning to the work force following an absence to raise young children would not face the higher NERE entrance requirements. If an individual has been paid one or more weeks of maternity or parental benefits in the five years preceding a claim, that individual is not considered a new entrant or re-entrant and is therefore subject only to the standard variable entrance requirement for the economic region. Findings of a recent study indicate this new definition of NEREs has not had a notable effect on the percentage of claimants who are considered NEREs.

Self-employed fishers qualify for EI based on the value of the catch. Harvest values in the fishing industry have increased considerably since 1996/97, while the earnings-based entrance requirements have not changed. In 2003/04, 96% of fishers qualified for benefits with insured earnings that exceeded the maximum entrance requirement of $5,500. The number of fishers qualifying for benefits is not declining in spite of the most recent cod moratorium. It should also be noted that, since there are two distinct seasons (summer and winter) for commercial fishing, fishers are able to claim twice in a single year. In 2003/04, the number of fishers establishing two claims grew by 14.6%.

Adequacy of Benefits

In 2003/04, the average weekly benefit rate increased to $312, from $308 in the previous year (+1.3%). Nearly 33% of regular EI claimants received the maximum weekly benefit rate of $413 per week. Among claimants of special benefits, this proportion was about 29%, while for fishing claims, 68% received the maximum weekly benefit. A study found that fishers receive, on average, 28% of their average annual incomes of $31,100 from EI, an indicator of the importance of the program in fishing communities.

On average, regular beneficiaries collected benefits for only two-thirds of the maximum number of weeks to which they were entitled, a proportion that is little changed from previous reporting periods. In addition, 31% of regular EI beneficiaries exhausted their entitlement to EI benefits in 2002/03. Women tend to exhaust benefits in higher proportions than men. Since women are more likely to work part-time hours, women establishing claims are likely to do so with fewer hours of work than men, resulting in fewer weeks of benefits.

About 32% of sickness beneficiaries in 2003/04 used the entire 15 weeks of benefits to which they were entitled. This proportion has been relatively stable in recent years. An analysis tracked EI sickness claimants who used all 15 weeks of benefits to investigate the extent to which they later accessed Canada Pension Plan (CPP) disability benefits. It was found that only 10% of those who used all 15 weeks of EI sickness benefits received CPP disability benefits afterwards.

An analysis of maternity and parental benefits claims demonstrates that participating parents

are using at least 91% of the full year of benefits available to them. The enhancements to parental benefits have provided families with increased flexibility to care for their newly born or adopted children for an extended period of time. In 2003/04, men's participation in parental benefits continued to grow, increasing by 10%. Findings from recent studies indicate the enhancements to parental benefits are resulting in mothers spending a longer period of time at home. Prior to 2001, approximately 64% of mothers who received EI returned to work within seven months following the birth of their child. Of mothers who gave birth in 2002 or 2003, just under 16% returned to work in this same time frame.

Adequacy of benefits was also assessed by examining the effectiveness of the Family Supplement in providing additional income support to low-income families with children. The proportion of EI beneficiaries eligible for the Family Supplement has been declining, as family incomes have been increasing while the Family Supplement threshold has remained fixed at $25,921. In 2003/04 the proportion of EI beneficiaries receiving the Family Supplement declined to 9.2%.

Promoting Work Force Attachment

The EI program has certain features that are meant to strengthen the link between work effort and benefits, including the divisor, working while on claim and Small Weeks provisions.

When introduced in 1996/97, the divisor resulted in a considerable change in the characteristics of new claims being established, as individuals were encouraged to work two extra weeks beyond the minimum entrance requirement before establishing a claim. The proportion of regular claimants who did not work at least two weeks beyond their minimum entrance requirements dropped from 6.7% just prior to the introduction of the divisor to 3.6% in 1997/98. Since then, this proportion has remained relatively stable and was 3.2% in 2003/04. Higher proportions of claimants in the Atlantic Provinces and Quebec are affected by the divisor than in Ontario, the Prairies and the West.

In 2003/04, 12.5% of EI claims established excluded Small Weeks from the benefit calculation. Growth in the proportion of claims affected by the Small Weeks provision (from 9.9% in 2002/03) is probably due mostly to the increased earnings threshold. The Small Weeks provision provided affected clients, on average, with a weekly benefit that was $12 higher in 2003/04 than it would have been had the provision not existed. Atlantic Canada and Quebec have a significantly larger proportion of claims affected by the Small Weeks provision than other regions of the country.

There has been a steady decline in the proportion of claimants reporting working while on claim. In 2003/04, 54.9% of regular claimants reported working while on claim, down from 56.8% the previous year. This long-term decline may be an indication that claimants are hesitant to accept work while collecting EI benefits. It may also be an indication of limited work opportunities.

Employment Benefits and Support Measures (EBSMs)

During 2003/04, about 668,000 individuals took part in EBSMs funded through EI Part II, an increase of 4.7% over the previous reporting period. During the reference period there were 962,922 interventions, an increase of 67,000 from 2002/03. The overall use of longer duration employment programs declined slightly over the period, while shorter term employment service interventions (such as counselling and job finding clubs) accounted for the increase.

Based on results from summative evaluations, EBSMs appear to yield some modestly positive net impacts on the participants depending on the program, the client type and jurisdiction. Given the mixed nature of results, broad generalization of the results across interventions, client type and jurisdictions is not always possible. In addition, it is important to note that net impacts are based on findings from three jurisdictions only: British Columbia, Quebec, and Newfoundland and Labrador.

The summative evaluations are demonstrating how the specific socio-economic context affects the way EBSMs are implemented. Regional labour market needs tend to affect program planning, design and delivery, as well as program participation and selection. Further, client characteristics, such as educational levels, appear to have influenced participant selection and self-selection in ways that may have acted to limit ultimate program impacts. Additional analysis is underway to understand this dynamic better.

The socio-economic context may also affect the long-term effectiveness of particular interventions, and this is being looked at in the individual summative evaluations.

Work Force

To support firms coping with the unanticipated shocks to the economy in 2003/04 (such as SARS, BSE and forest fires), HRSDC increased flexibilities in the administration of the Work Sharing program. Over the year, nearly 31,000 new claims were established, helping employers avert 8,300 temporary layoffs.

As of March 30, 2004, there were no signed Work Sharing While Learning (WSWL) agreements. To participate in WSWL, an employer had to be located in a region with an unemployment rate of 10% or greater, must have planned to undergo restructuring of the company, and must have been prepared to develop a significant restructuring and training plan to support its WSWL application. This program was piloted for a two-year period ending December 15, 2004.

In the 2001 budget, the Government of Canada announced that apprentices collecting EI while away from work for training would be subject to only one waiting period, though there may be multiple separate training segments of one course stretched over a number of years, to encourage ongoing skills development. In 2003/04 there were 30,500 apprentice EI claims. Of these, 5,900 were not subject to a waiting period.

Savings

The *2003 Monitoring and Assessment Report* provided a detailed summary of the savings and reinvestment in active measures attributable to EI reform. It was reported that an estimated $1.2 billion in savings were realized by EI reform from 1996/97 to 2001/02. Readers should refer to the *2003 Monitoring and Assessment Report* for more details.

Violations

Effective January 1997, EI claimants who knowingly misuse EI receive a "violation," in addition to a financial penalty. Having received a violation, an individual must then have additional insured hours of work to qualify for benefits in future claims. In 2003/04, there were 7,700 instances in which a benefit period was not established due to the higher entrance requirements resulting from violations, resulting in cost avoidance for the program of $42.3 million.

Program Administration – Service Delivery

As previously mentioned, 2003/04 was notable for its series of unforeseen events, such as SARS, BSE, forest fires and Hurricane Juan. The responsiveness of the EI program was demonstrated in the way in which each of these separate challenges was addressed. At the same time, ongoing work towards transforming and aligning resources to improve and modernize service delivery and the quality of service to Canadians continued.

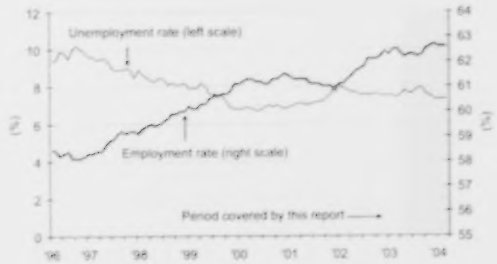
Clients have an array of choices for the most common services. There were 1.2 million claimants who elected to file their applications via Appli-Web, an Internet application service. Employers can also use a Web-based reporting system for filing Records of Employment (ROEs), called ROE Web. In 2003/04, 662 employers registered as ROE Web users, and 132,000 ROEs were produced using ROE Web.

Also in 2003/04, Appli-Sys (EI claims-taking) Kiosks were replaced with Citizen Access Web Stations (CAWS), so in-person clients will benefit from the same interactive applications as clients who file on-line. Roughly 80% of kiosks were transformed, which supported increased take-up of Appli-Web.

From March 2001 to March 2003, the accuracy rate of EI benefits improved from 93.5% to 95.5%. Over 2003/04, the accuracy rate was 94.5%, primarily due to an increase in claimant errors. Work will continue to better educate claimants on the necessity to report earnings accurately and to increase employers' awareness of the necessity to report accurate information on ROEs. The way in which errors are defined and reported is also being examined.

This chapter outlines key labour market developments and provides the economic context in which the Employment Insurance (EI) reform of 1996 and subsequent changes to the *Employment Insurance Act* can be assessed for fiscal year 2003/04. Unless otherwise stated, the data used in this chapter are drawn from Statistics Canada's Labour Force Survey (LFS).[1] More detailed information on the various elements discussed in this chapter can be found in Annex 1.

Chart 1: Economic Context Since EI Reform



Source: Labour Force Survey

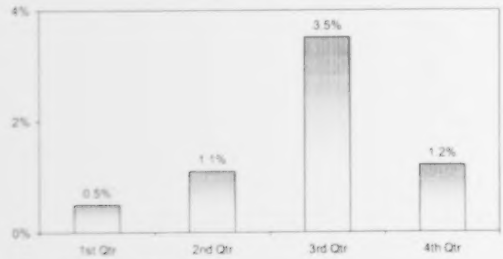
1. *Overview*

Canada's economic growth slowed in fiscal 2003/04, with Gross Domestic Product (GDP) rising by 1.7%. This follows 3.6% growth in 2002/03. The lower rate of growth can be attributed to a marked appreciation in the Canadian dollar,[2] a decline in Canadian exports and the combined impact of a number of unanticipated temporary economic shocks: the severe acute respiratory syndrome (SARS) and bovine spongiform encephalopathy (BSE, or "mad cow") outbreaks; the ongoing softwood lumber dispute with the U.S.; Ontario's August 2003 power failure; forest fires in British Columbia; and Hurricane Juan and the February storm, which paralyzed large parts of Nova Scotia and the rest of Atlantic Canada. Despite the lower GDP growth, purchases of goods and services by Canadian individuals and firms rose by 4.3%, the largest increase since 1998/99, illustrating continued confidence in the economy.

Overall job growth also slowed in 2003/04, to 1.9% (+288,900), down from 3.0% in the previous reporting period. Still, Canada led the G7 in employment growth in 2003, with some countries (Japan, Germany and France) experiencing job losses.[3]

Job growth[4] in 2003/04 was concentrated in the October–December 2003 period, with little growth in the other three quarters of the year (refer to Chart 2).

Chart 2: Employment Growth by Quarter, 2003/04
(annual rates)



Source: Labour Force Survey

Most of the employment growth was in the services-producing sector, which added 277,400 jobs (+2.4%). Employment in the goods-producing sector increased by just 11,400 over the year (+0.3%).

The moderate employment growth was sufficient to push Canada's annual average employment rate to a record high of 62.4% in 2003/04. The national unemployment rate averaged 7.6%, unchanged from the previous fiscal year.

[1] The reporting period analyzed in this report is the fiscal year from April 1, 2003, to March 31, 2004. Job growth and unemployment measures are calculated using annual averages of seasonally adjusted data from Statistics Canada's LFS. Unadjusted estimates from the LFS are used in the event that these data are not available.
[2] The Canadian dollar ended the year at US$0.7528 in March 2004, up from US$0.6858 in April 2003.
[3] Based on the 2003 calendar year.
[4] Employment growth from quarter to quarter, annualized.

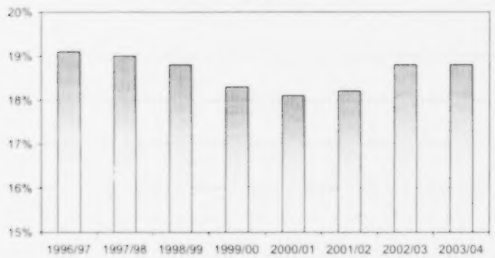
2. *Employment*

Employment growth in 2003/04, at 1.9%, was considerably slower than the previous fiscal year. The labour force grew by 1.9%, also more slowly than in 2002/03, when labour force growth was 3.1%. Still, Canada's labour force participation rate reached 67.6% in 2003/04, surpassing its previous peak of 67.2% in 1989/90.

Most of the 2003/04 job gains were in full-time employment. Of the 288,900 jobs added over the year, 237,000 (or 82.0%) were in full-time employment. This compares to 60.2% of the growth in 2002/03 and 72.6% of the growth in 2001/02. This concentration of job growth in full-time employment is a positive indicator of underlying strength in the labour market.

In 2003/04, the share of total employment that was part-time remained stable over the previous year, at 18.8%. As indicated in Chart 3, the part-time share declined somewhat between 1996/97 and 2000/01, a period of robust economic performance in the country, then increased over 2001/02 and 2002/03, in line with more moderate economic growth.

Chart 3: Part-Time Share of Total Employment



Source: Labour Force Survey

Most of the job gains in 2003/04 were in paid employment (222,500), though self-employment grew at a faster pace—2.8% compared to 1.7% in paid employment. However, this represents slower rates of growth for both types of employment over the previous year, when paid employment grew by 2.9% and self-employment increased by 3.3%.

Although the rate of growth in self-employment was higher than paid employment in 2003/04, the share of self-employed workers in all employment, at 15.3%, remained relatively stable over the previous year (refer to Table 1). Indeed, the self-employment share of total employment has been stable for three years in a row.

The relative share of paid employment in Canada is important from an EI perspective, since most forms of self-employment are not insurable under EI.

Table 1
Annual Growth Rates and Share of Self-Employed

	Annual Growth Rates (%)		Share of Self-Employed in All Employment (%)
	Employees	Self-Employed	
1994/95	2.9	0.3	15.6
1995/96	0.9	3.0	15.8
1996/97	0.3	4.7	16.4
1997/98	1.4	8.2	17.3
1998/99	2.6	2.1	17.2
1999/00	3.1	0.9	16.9
2000/01	3.6	-4.7	15.8
2001/02	2.0	-3.1	15.1
2002/03	2.9	3.3	15.2
2003/04	1.7	2.8	15.3

Source: Labour Force Survey

Hours

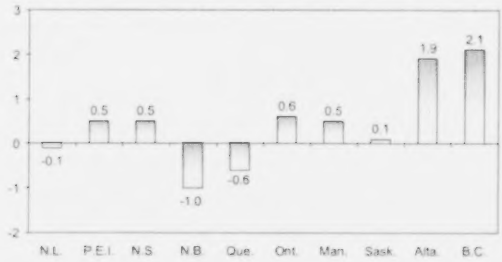
Average actual number of hours worked per week declined by 1.8% in 2003. While average actual number of hours worked per week declined for full-time employees (from 37.6 to 36.9 hours), it remained stable for part-time workers (15.9 hours). The reduction in average actual number of hours worked per week was 0.6 hours for both men and women, representing a decrease of 1.6% and 2.0% respectively.

The combination of employment growth and a reduction of 1.8% in the average actual number of hours worked per week resulted in the total number of actual hours worked

remaining relatively stable nationally (+0.6% or 153 million hours). The following provinces experienced gains in hours worked: British Columbia (+2.1%), Alberta (+1.9%), Ontario (+0.6%), Prince Edward Island (+0.5%), Nova Scotia (+0.5%), Manitoba (+0.5%) and Saskatchewan (+0.1%).

As indicated in Chart 4, New Brunswick had the largest decline in total hours worked, and two other provinces had declines in total hours worked (Quebec, and Newfoundland and Labrador).

Chart 4: Change in Total Number of Actual Hours Worked, 2002 vs 2003 (%)



Source: Labour Force Survey

Total number of actual hours worked increasec slightly in Ontario, despite the Ontario–U.S power outage in August 2003. From the day of the outage on August 14 through the next two days, an estimated one in four Ontario employees (1.3 million people) missed some work as a direct result of the blackout. In total, this amounted to over 11 million hours, or 8.2 hours per absent employee. While these lost hours were more than made up in the rest of the year, such fluctuations can have important impacts on individual workers and their EI eligibility.

The average actual number of hours worked per week by individuals working in the goods-producing sector was 37.2 hours. In comparison, the average actual number of hours worked per week by workers in the services-producing sector was 31.5 hours, a difference of 18% or 5.7 hours. Within the goods-producing sector, the average actual number of weekly hours worked by individuals in both manufacturing and construction decreased by 1.9% (the biggest decline in the sector).

Within the services-producing sector, the most important decline (-3.4%) in the actual average number of hours worked per week was in educational services. Hours worked in the professional, scientific and technical support industry also declined by 3.1%. Hours worked is an important productivity-related indicator for the Canadian labour market, but it is also important from an EI perspective, since EI entrance requirements are based on hours worked.

Low-income Workers

Another important aspect of the labour market is the extent to which some workers and their dependants are low-income. In Canada, 396,600 individuals were identified as low-income workers[5] in 2002, according to the LICOs-iat.[6] When including dependants, up to 869,600 Canadians were living in a low-income

[5] Low-income workers are individuals aged 18 to 64 who have worked for pay for at least 910 hours in the current year, who are not full-time students, and whose family income falls under a low-income threshold — LICOs-iat (Low-Income Cutoffs—Income After Tax) or MBM (Market Basket Measure). For more information on the LICOs-iat, see http://www.statcan.ca/english/research/75F0002MIE/75F0002MIE2004002.pdf

[6] Depending on the measures of low-income used, the number of low-income individuals varies. For instance, 460,000 individuals were identified as low income workers using LICOs-iat in 2001 while 653,000 individuals were identified as such using the MBM. As 2002 MBM thresholds are not yet available, results for 2002 are only based on LICOs-iat. However, in other publications, low-income workers are presented using the MBM (in particular, "Canada' s Working Poor," *Horizons*, Policy Research Initiative newspaper, Volume 7, number 2, 2004, pp. 51–57).

family in which there was at least one worker. About one-third of them were children.[7]

Low-income workers showed strong attachment to the labour market. In 2002, 70% of them worked for pay 1,500 hours or more. However, their wages were well below the wages of paid workers who were not in a low-income situation ($11.70/hr compared to $19.90/hr) and they had fewer benefits than other workers. For instance, less than 25% of individuals living in a low-income family had access to a dental care plan or a health insurance plan, while this proportion was close to 75% among individuals living in non-low-income families that include at least one worker.

For individuals working at least 910 hours, family characteristics were closely associated with having low family income in 2002. Workers who were the only breadwinner in their family[8] were far more likely to have a low family income than other workers and, regardless of the number of earners in a couple, the probability of being poor increased with the number of children. In fact, holding all other characteristics constant, the probability of a Canadian worker having a low income was only 1% if that individual was part of a two-earner couple without children. This probability increased to 5% if this individual was the sole earner in his/her family and to 15% if the family included three children or more. The gender of workers did not appear to be an important determinant of low income. However, other factors, such as being self-employed or working in the sales and services sector, increased significantly the risk of low income among workers. Finally, close to 40% of low-income workers in 2001 were self-employed. Most forms of self-employment are not covered by EI.

Seasonal Work[9, 10]

Seasonal work is an important aspect of the Canadian employment landscape and seasonal workers represent an important client group for the EI program. Seasonal employment accounted for 381,300 jobs in 2003/04, or 2.4% of total employment. In 2002/03, according to LFS figures, seasonal employment had been 394,800 or 2.6% of total employment. Seasonal workers come from every province. In 2003/04, 30% were from Ontario, 24% from Quebec, 18% from Atlantic Canada, 17% from the Prairies and 12% from British Columbia. Nationally, seasonal workers are employed in the following industries: construction, the highest proportion (16.6% of all seasonal workers); information, culture and recreation (14.2%); accommodation (10.3%); and manufacturing (9.8%).

[7] All results are based on the 2002 main file of the Statistics Canada Survey of Labour and Income Dynamics (SLID). In 2002, Statistics Canada significantly revised the SLID, which resulted in an overall decrease in the incidence of poverty (and working poverty) in Canada for 2000, 2001 and 2002. Without taking into consideration the technical changes made to the SLID by Statistics Canada, the number of low-income workers in Canada seems to fall considerably (from 460,000 in 2001 to 396,600 in 2002), whereas after corrections of the data, the drop observed is much less dramatic (from 417,900 in 2001 to 396,600 in 2002).

[8] This includes unattached individuals, lone parents and sole earners living in a couple.

[9] Since in January 1997, Statistics Canada's LFS has collected information to classify paid employment as either permanent or temporary. The self-employed are not included in the classification. The classification is based on the intentions of the employer and characteristics of the job, rather than the intentions of the employee. However, the LFS is a household survey, not a business survey, so it is employees who ultimately report on the permanent or temporary nature of the job. Thus, the expectations and perceptions of employees may influence the responses. A temporary job is defined as one that has a predetermined end date or will end as soon as a specified project is complete. A permanent job is expected to last as long as the employee wants it, given that business conditions permit. That is, there is no pre-determined termination date.

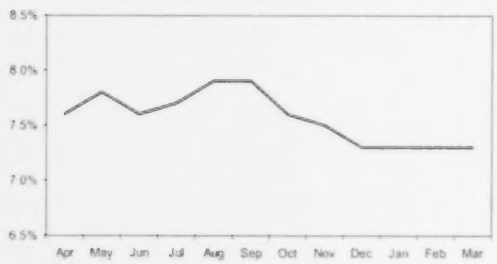
[10] The LFS is a monthly panel survey from which annual average counts of seasonal employees have been estimated. Since panel surveys are not designed to measure movement in and out of various employment situations, the actual incidence of seasonal employment is not reflected. For example, if in one time period a seasonal job were to end and another seasonal job were to begin, a panel survey would indicate no change in seasonal employment, though two separate seasonal workers were actually affected.

Seasonal workers are more likely to be male and young than average workers. That is, men accounted for 64% of seasonal employment in 2003/04, while they accounted for 53% of total employment. Younger workers (under 25 years of age) were also over-represented among seasonal employees, accounting for 43% of seasonal employment and just 16% of total employment. Three out of four seasonal employees were working full-time hours in 2003/04. Among the remainder, working part-time, 43% reported working part-time because they were going to school while 33% were unable to find a full-time job.

3. Unemployment

Unemployment increased by 30,600 (+2.4%) in Canada in 2003/04 to reach 1,290,500 (fiscal year annual average). The average national unemployment rate for 2003/04, at 7.6%, was unchanged from the previous year. The unemployment rate was highest during the first two quarters of the fiscal year and then declined over the remainder of the reporting period (refer to Chart 5).

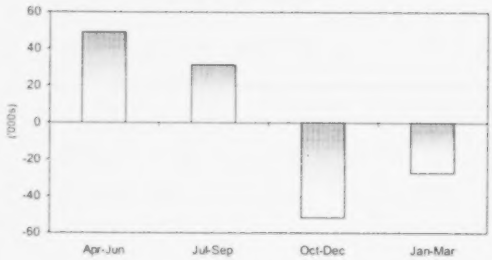
Chart 5: National Unemployment Rate, 2003/04 (%)



Source: Labour Force Survey

The unemployment rate increased in all but one month between April and August. There was a small decrease in June 2003. The unemployment rate peaked at 7.9% in August and September 2003. Unemployment then declined markedly in the October to December period, and less so between January and March 2004 (refer to Chart 6).

Chart 6: Quarterly Unemployment Growth, 2003/04



Source: Labour Force Survey

The annual average unemployment rate remained relatively stable for men and women at 8.0% and 7.1%, respectively, in 2003/04. The unemployment rate among older workers (aged 55 and over) also remained relatively stable at 5.8% (-0.1 percentage point). The situation for adults aged 25–54 is similar, as the annual average unemployment rate for men remained at 6.6%, while the rate for women increased by 0.1 percentage point to 6.3%. Youth (aged 15–24) experienced a larger increase in their annual average unemployment rate, from 13.4% to 13.9%.

The proportion of the unemployed who had been out of work for more than 52 weeks (the long-term unemployed) was unchanged in 2003/04, at 5.0%. This proportion remains low relative to its peak of 15.0% in 1994/95 and Canada's proportion of long-term unemployment is the lowest in the G7 nations, falling below that of the U.S. during 2003. Most of the long-term unemployed (71%) were workers aged 25–54, while 8% were youth (15–24) and 21% were aged 55 and over. The proportion of the unemployed who have been out of work for a long time is important, since when a claim is established, EI eligibility requires work within the previous 52 weeks.

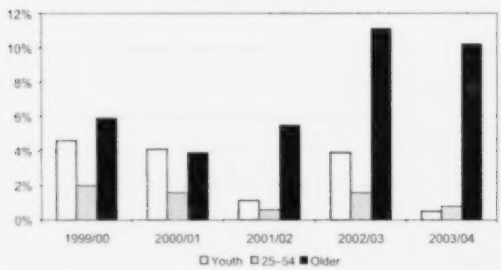
The reasons why people became unemployed in 2003/04 remained similar to those of previous reporting periods. Those who have been laid off accounted for nearly half of all unemployment (47.1%), job leavers represented 21.7%, and individuals entering or re-entering the labour market after a year or more of inactivity made up 31.2% of the unemployed. Data on the reasons for unemployment are of particular interest since people who quit their jobs without just cause are not eligible for EI benefits, and new entrants and re-entrants face stricter EI eligibility requirements.

4. Demographic Groups

Employment increased by 288,900 in Canada in 2003/04. Among older workers, those aged 55 and over, employment grew by 184,800 (+10.2%)—almost two-thirds of the overall increase. Both older women (+92,600) and men (+92,200) experienced job growth. This share of job growth is impressive, considering older workers represent just 12.5% of the labour force.

Employment among older workers has grown steadily since the mid-1990s and has generally outpaced growth among both workers aged 25–54 and youth aged 15–24 since 1999/00 (refer to Chart 7). The unemployment rate for older workers in 2003/04 was 5.8%.

Chart 7: Employment Growth by Age Group (%)



Source: Labour Force Survey

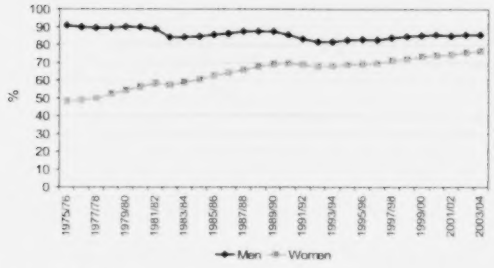
Although older workers enjoyed considerable employment growth in 2003/04, it is widely acknowledged that once unemployed, older workers may face challenges becoming re-employed. Older workers are over-represented among the long-term unemployed, representing 21.3% of this group and only 12.5% of the labour force.

Job growth among youth was minimal (+0.5%) in 2003/04 and their unemployment rate increased to 13.9%, up from 13.4% in the previous reporting period. The youth unemployment rate has increased three years in a row, from 12.6% in 2000/01. Moreover, employment growth among youth has fluctuated considerably since the mid-1990s. Youth are typically among the first to be adversely affected in times of economic slowdown and youth employment may also be slower to recover.

The employment rate among workers aged 25–54 reached 80.9% in 2003/04, following a marginal increase (+0.8%) in employment during the reporting period. This employment rate grew steadily after the recession of the early 1990s, stalled somewhat in 2001/02 and then resumed a pattern of growth.

The employment rate among workers aged 25–54 remains higher for men (85.6%) than for women (76.3%), though the rates have been converging since the mid-1970s (refer to Chart 8). In 2003/04, women's employment grew by 1.3% while employment for men grew by only 0.4%.

Chart 8: Employment Rate Among Workers Aged 25–54

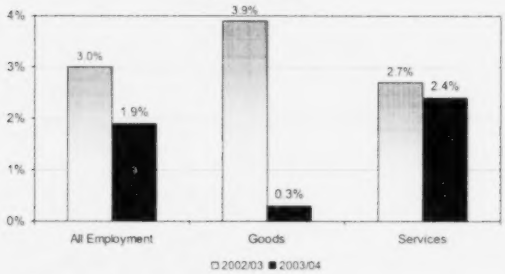


Source: Labour Force Survey

5. *Sectoral Labour Markets*

Most of the job growth in 2003/04 was in the services-producing sector (+277,400), where employment grew by 2.4% (refer to Chart 9 and Annex 1.3). Employment in the goods-producing sector remained relatively stable (+0.3%), increasing by just 11,400 jobs.

Chart 9: Employment Growth by Sector



Source: Labour Force Survey

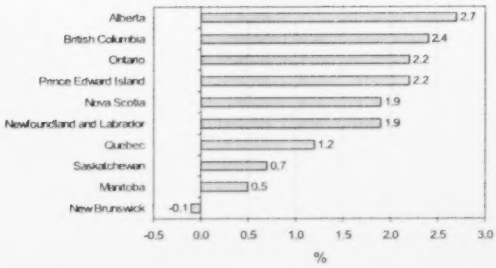
Employment growth in the services-producing sector was highest in transportation and warehousing (+3.7%), with 28,400 jobs added in 2003/04. Other industries with high employment growth included public administration (grew by 3.6% or 28,600 employees). While public administration now comprises 5.2% of total employment, it remains well below its peak of 1992/93, when public sector workers made up 6.8% of the work force. Job growth was also high in health care and social assistance, which increased by 54,700, or 3.3%, extending a trend of continuous growth since 1996/97. Employment in finance, insurance, real estate and leasing grew by 23,600 jobs over the fiscal year (+2.6%). This is consistent with the growth in the construction industry, which had the highest growth in the goods-producing industry.

The continued strength in housing contributed to an increase of 35,400 jobs in the construction industry (+4.0%). The forestry, fishing, mining, oil and gas industries also grew by 3.4% or 9,200 new jobs. These job gains were partially offset by a decline in manufacturing, where employment fell by 29,300 (-1.3%), primarily due to the increased value of the Canadian dollar and subsequent decrease in exports to the United States.

6. *Provincial Labour Markets*

Employment growth in 2003/04 was strongest in Alberta, where employment grew by 44,900 or 2.7% (refer to Chart 10). Employment in Alberta has grown every year for over a decade—the last fiscal year in which employment in the province declined was 1992/93. Industries in which employment increased the most included forestry, fishing, mining, oil and gas; public administration; and business, building and other support services. Most of the gains in 2003/04 were in full-time employment (+33,000), and Alberta's unemployment rate declined to 5%.

Chart 10: Employment Growth by Province, 2003/04



Source: Labour Force Survey

British Columbia experienced the second highest job growth at 2.4%, an increase of 47,700 jobs. A decline of 12,600 part-time jobs was offset by full-time employment growth of 60,200. Industries in British Columbia experiencing job growth included business, building and other support services; public administration; and forestry, fishing, mining, oil and gas industries. Most of the new jobs were created in Vancouver. Unemployment also declined in the province, and British Columbia's unemployment rate fell to 8.0% from 8.3%.

Employment in Prince Edward Island grew by 1,400 (+2.2%) in 2003/04. Much of the increase in Prince Edward Island was in utilities, though public administration and trade also experienced job growth. Prince Edward Island's unemployment rate fell by nearly a percentage point (-0.8) to 10.9% in 2003/04.

Job growth in Ontario accounted for nearly half of the country's moderate employment gain in 2003/04. Employment in Ontario grew by 135,200 (+2.2%), mostly in full-time work (+106,200)—the tenth year in a row that full-time employment in Ontario has grown. Part-time employment in the province grew by 29,000 (+2.6%). The number of unemployed people in Ontario also grew (+8,000), and the province's unemployment rate in 2003/04 slightly decreased to 6.9%. Utilities, business, building and other support services, and the construction industry had the largest employment gains.

Employment declined slightly (-0.1%) in New Brunswick, the only province where employment declined in 2003/04. This follows strong job growth in 2002/03, when employment in New Brunswick grew by 3.5%. Unemployment also increased slightly in the province with the unemployment rate rising to 10.1% from 10.0% in the previous reporting period. Industries in which employment fell included utilities; information, culture and recreation; and accommodation and food services.

The remaining five provinces experienced moderate employment increases over 2003/04.

7. Economic Regions

The national and provincial labour market trends described above do not fully reflect important and differing conditions in economic regions.

The EI program divides the country into areas of similar labour market conditions, such as census metropolitan areas (e.g., Québec City, Halifax and Toronto), or areas with comparable labour market characteristics for the purpose of determining representative unemployment rates. Under the *Employment Insurance Regulations*, the boundaries of the EI regions are regularly reviewed. The last revision of the economic regions was completed in 2000.

About half of the EI economic regions (30 of 58) experienced an increase in the unemployment rate from the beginning to the end of 2003/04 (refer to Annex 1.1).[11] Nine of the 12 regions in Quebec experienced increases in their unemployment rate from the beginning of 2003/04 to the end. In Ontario,

[11] The unemployment rate for Yukon, the Northwest Territories and Nunavut is set at 25% for EI purposes since the territories are not included in the LFS.

nine of 17 regions saw an increase in the unemployment rate. Most of the other regions where the unemployment rate increased were located in the following provinces: Nova Scotia, New Brunswick, Manitoba and Saskatchewan.

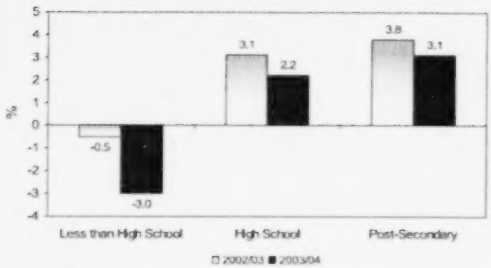
The EI program is designed to respond to changing economic conditions in economic regions by adjusting EI eligibility and entitlement according to regional unemployment rates. The responsiveness of the EI program to regional fluctuations in unemployment rates is examined in Chapter 5. In contrast to the previous reporting period, it is noteworthy that of the 30 economic regions that experienced increases in their unemployment rates, 20 were rural areas.

The largest increases in unemployment rates were in Gaspésie–Îles-de-la-Madeleine (+3.9 percentage points), North Western Quebec (+3.8 percentage points), Northern Manitoba (+3.2 percentage points) and Southern Coastal British Columbia (2.5 percentage points). The largest decreases in unemployment rates were more widely spread across urban centres: Abbotsford (-3.1 percentage points), Fredericton–Moncton–Saint John (-1.6 percentage points) and Québec City (-1.5 percentage points).

8. Education

Educational attainment continues to be a strong determinant of labour market success in Canada. In 2003/04, job gains were once again concentrated among those with post-secondary education.[12] In fact, employment gains among those with post-secondary education (+262,700) represented almost all the employment gains for the year, having been partially offset by job losses among those with less than a high school diploma (refer to Chart 11).

Chart 11: Employment Growth by Educational Attainment



Source: Labour Force Survey

Strong employment growth in 2003/04 in health and social assistance; public administration; and finance, insurance and real estate is consistent with strong job growth among the most educated workers.

In the 10 years since 1993/94, job growth among those with post-secondary education has totalled 2.84 million. Over the same period, employment among high school graduates has grown by a little more than 555,000, while employment for those with less than a high school diploma has fallen by about 488,000. As a result, 55% of all jobs in Canada were held by those with post-secondary education in 2003/04.

Immigration

While demographics dictate that immigration will continue to comprise an increasing share of our labour supply growth, immigrants are facing greater challenges integrating into the Canadian labour market.

Over the last 10 years, 2.2 million immigrants have settled in the country. On an annual basis, this represents about 218,000 immigrants or 0.7% of the total population (221,352 immigrants landed in Canada during 2003). According to the 2001 Census, 94% of immigrants who arrived during the 1990s were living in Canada's census metropolitan

[12] Includes those with a post-secondary certificate or diploma and those with a university degree.

areas (CMAs), compared with 64% of the total population who lived in these areas. Nearly three-quarters (73%) of immigrants who arrived in the 1990s settled in three CMAs: Toronto, Vancouver and Montréal. In contrast, just over a third of the total population lived in these three CMAs.

Over half of the immigrants admitted in the past decade are economic immigrants. Overall, immigrants to Canada in all categories of admission are increasingly educated and skilled (45% of those 15 years of age or older landing in 2003 had a university degree). In spite of this, the labour market outcomes of immigrants who landed in Canada in the early and mid-1990s deteriorated, whether compared to previous cohorts of immigrants or to Canadian-born individuals.

The employment rate of recent immigrants (those landed in Canada during the previous five years) rose from 48.8% in 1996 to 56.5% in 2001. Among the Canadian-born population, the rate rose from 60.2% to 62.9%. Similarly, between 1996 and 2001, the unemployment rate among recent immigrants fell from 18.0% to 12.7%, while that of the Canadian-born population dropped from 9.9% to 7.4%.

As a result of the difficulties recent immigrants have encountered within the Canadian labour market, low-income rates among recent immigrants have risen. Incidence of low income (pre-income tax Low-Income Cut-Offs, 1992 base) among recent immigrants rose from 25% in 1980 to 47% in 1995, falling to 36% in 2000. Low-income rates among the Canadian-born population fell from 17% in 1980 to 14% in 2000.

This chapter provides an overview of Part I Employment Insurance (EI) benefits.
The first section, *Employment Insurance Clients*, outlines changes to claims and benefits in 2003/04.[1] *Assisting Canadians in Facing the Risk of Unemployment*, the second section, examines income support provided through EI to individuals who lose their jobs. The third section, *Supporting Working Canadians and Their Families*, examines the role that EI plays in assisting Canadians to balance work commitments with family responsibilities and personal illness.

The analysis in this chapter uses EI administrative data and is based on a 10% sample of claims as of August 2004.[2] Throughout the chapter, data for 2003/04 are compared to 2002/03 data. Trends since 1995/96 are also discussed. More detailed information on the various elements discussed in this chapter can be found in Annex 2.

I. EMPLOYMENT INSURANCE CLIENTS

In 2003/04, the number of EI claims established increased by 5.6% (+105,000) to 1.97 million. Total benefits paid increased by 7.0% to $13.2 billion and average weekly benefits increased to $312, up from $308 in 2002/03.

Overall, between 1996/97 and 2000/01, total EI benefits paid declined. This decline can be attributed to the 1995/96 EI reform and to strong growth in the economy and labour market over the period. However, in 2001/02 and 2002/03, total EI benefits paid increased due to a temporary slowdown in the economy in 2001/02 (largely a result of the economic fallout from September 11th) and the impact of enhanced parental benefits. In 2003/04, total EI benefits paid increased again, as unemployment fluctuated quarterly, the economy grew moderately, Canadian exports fell and a number of unanticipated shocks affected the economy.

As in 2002/03, about two-thirds of all EI income benefits paid were regular benefits, over 28% were special benefits and the remaining 5% were related to employment benefits, fishing and Work Sharing (refer to Table 1).
The proportion of all regular and fishing claims accounted for by frequent claimants slightly decreased during the reporting period from 35.7% to 35.4%.[3]

Table 1
Total Income Benefits (Part I, 2003/04)

Type of Benefits	Benefits Paid ($M)	Percentage
Regular	$8,768.9	66.4%
Special	$3,707.9	28.1%
Parental	$2,016.8	15.3%
Maternity	$910.6	6.9%
Sickness	$778.5	5.9%
Compassionate	$1.8	0.01%
Employment Benefits[4]	$401.8	3.0%
Fishing	$293.4	2.2%
Work Sharing	$27.1	0.2%
Total	**$13,199.0**	**100%**

Together, Ontario and Quebec accounted for 59.7% of all EI claims established in 2003/04, while these provinces together accounted for 63.6% of paid employees (refer to Table 2). The proportion of new claims in the four Atlantic provinces was 15.7%, in comparison to a 6.9% share of paid employment. Prairie provinces accounted for 12.8% of new EI claims, while British Columbia represented 11.6% of new claimants. Prairie provinces represented 17.0% of paid employment in

[1] "Claims" refers to new claims established in 2003/04. Some benefits paid in 2003/04, however, are associated with claims established in the previous fiscal year that were not completed.
[2] Due to the relatively small number of fishing and compassionate care claims, 100% of these claims established during fiscal 2003/04 are used to ensure reliability. In addition, compassionate care benefit figures are based on a 100% sample.
[3] Frequent claimants are defined as claimants who have made three or more claims in the five years prior to their current claim.
[4] Some Employment Benefits and Support Measures (EBSM) participants receive Part I income benefits.

2003/04, and British Columbia accounted for 12.4%.

Table 2
New EI Claims, Paid Employment and Average Weekly Benefit by Province, 2003/04

Province/ Territory	% of All EI Claims	% of Paid Employment	Average Weekly Benefit
Newfoundland and Labrador	5.0%	1.4%	$306
Prince Edward Island	1.3%	0.4%	$295
Nova Scotia	4.6%	2.8%	$294
New Brunswick	4.9%	2.3%	$295
Quebec	31.2%	23.7%	$305
Ontario	28.4%	39.9%	$324
Manitoba	3.1%	3.6%	$297
Saskatchewan	2.4%	2.8%	$305
Alberta	7.3%	10.6%	$326
British Columbia	11.6%	12.4%	$318
Nunavut	0.1%	N/A	$338
Northwest Territories	0.1%	N/A	$368
Yukon	0.1%	N/A	$349
Canada	**100%**	**100%**	**$312**

Average weekly benefits varied by province, from a low of $294 in Nova Scotia to a high of $368 in the Northwest Territories, reflecting variations in insurable earnings. Higher average weekly benefits in the Northwest Territories may be a reflection of the higher cost of living there as well as higher wages.

About 60% of new claims were established in the services-producing sector and 40% were in the goods-producing sector, unchanged from the previous reporting period. Manufacturing and construction (goods sector) represented 32% of all new claims established by workers in 2003/04. In contrast, the two most important industries in terms of EI claims within the services sector, retail trade and business service industries, accounted for 15% of all new claims.

The share of EI claims established by women remained relatively stable at about 46% in 2003/04. The number of claims increased for both women and men, by 6.1% and 5.2%, respectively. Benefits paid also increased, by 8.2% for women and by 5.9% for men. The larger increase in benefits paid to women can predominantly be traced to increases in both regular (9.0%) and special (8.0%) benefits paid. Men had a lower growth rate than women in terms of regular benefits paid (5.8%) but a higher growth rate for special benefits (9.4%). While special benefits to men grew by 9.4% (11.2% for parental benefits) in 2003/04, this had little impact on the total amount of benefits paid, as the overwhelming majority of special claims continue to be established by women.

In 2003/04, youth experienced an increase in their unemployment rate (from 13.4% to 13.9%) and an increase of 4.8% in their EI claims. The number of claims by older workers also grew by 12.3%.[5] The increase in claims by older workers is consistent with their increased share of the working age population and employment, and with the increase in their participation rates.

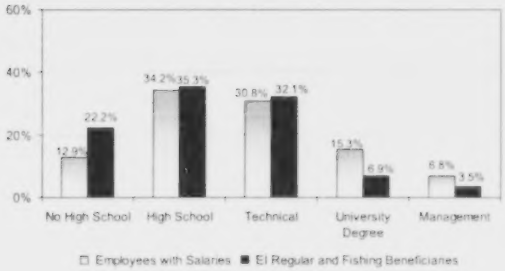
A total of 181,080 clients from low-income families with children received higher weekly benefits as a result of the Family Supplement.[6] The number of EI claims with the Family Supplement decreased (-1.0%) relative to 2002/03, although total benefits increased by 2.5% to $187.0 million in 2003/04. The average weekly top-up remained stable at $42.

In Chapter 1, the importance of education was noted. It was also noted that higher levels of education were associated with higher employment growth. A comparison of the occupational profile of EI regular and fishing clients with that of paid employees is consistent with these findings. Chart 1 indicates that workers in occupations usually requiring less formal education are more likely to receive

[5] Youth are defined as workers under the age of 25 and older workers are those 55 years of age and older.
[6] Refer to Annex 1 of the *2000 Monitoring and Assessment Report* for detailed information on the Family Supplement provision.

EI benefits than those in occupations usually requiring a university degree and those in managerial positions.

Chart 1: Distribution of All Employees with Salaries and EI Beneficiaries, by the Educational Attainment Usually Required for Their Occupation, 2003/04



EI Contributors

A little more than 16 million workers received at least one T4 with employment income for 2002.[7] They paid $7.9 billion in EI premiums while employers paid close to $11 billion,[8] for a total of $19 billion.

The provincial shares of total EI premiums reflected provincial shares in the total number of workers in Canada (refer to Annex 2.15). Annex 2.15 also indicates that some industries contribute a lower share of total premiums than their share of the total number of workers. Agriculture, fishing and trapping, logging and forestry, construction, and accommodation, food and beverage services were among those industries with a smaller share of total premiums than of the total number of workers.

II. ASSISTING CANADIANS IN FACING THE RISK OF UNEMPLOYMENT

A key objective of EI is to provide temporary income support to insured Canadians who involuntarily lose their jobs. The EI program is specifically designed to be responsive to changes in local labour markets by adjusting entrance requirements and the duration of entitlement to regular benefits when regional unemployment rates change in any of the 58 designated EI economic regions (refer to Annex 1.1).

1. Regular Benefits

In 2003/04, the number of new regular EI claims increased by 4.6% to 1.49 million. Benefits paid to regular beneficiaries increased by 6.9%, from $8.2 billion to $8.8 billion. The rise in benefits paid was attributable to several factors: the increase in the number of new regular claims (+4.6%), a slight increase in the average weekly benefit (+1.1%) from $309 to $312, and a slight increase in average weeks paid (+0.2%) from 17.5 to 17.6 weeks.

Provincially, new claims increased notably in Nunavut (+32.4%), the Northwest Territories (+7.0%), Ontario (+6.9%) and Manitoba (+6.9%), with more modest increases in Quebec (+5.4%), Saskatchewan (+5.1%), British Columbia (+5.0%) and New Brunswick (+3.3%). Claims remained relatively stable in Newfoundland and Labrador (+0.5%), Prince Edward Island (-0.4%) and Nova Scotia (-0.5%) in 2003/04. New claims decreased considerably in Yukon (-9.8%), with a more modest decrease in Alberta (-1.5%).

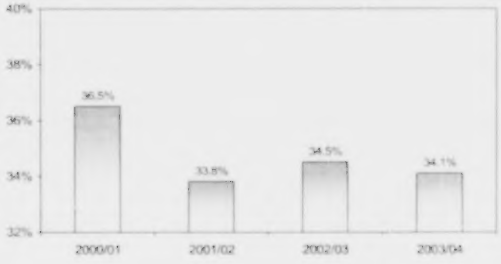
Claims in the goods-producing sector and in the services-producing sector increased by 4.8% and by 4.4% in 2003/04, respectively. Within the goods sector, claims in the construction industry increased by 5.0% and claims in logging and forestry industries increased by 4.6%, following a decrease of 4.0% in the previous reporting period. Service industries that experienced large increases were real estate and insurance (11.8%), accommodation, food and beverages (6.9%), and transportation and storage (6.8%).

[7] As EI premium payments are administered through the tax system, the most recent data available are for the 2002 taxation year.
[8] Employer contributions are 1.4 times employee contributions.

Regular claims increased for both women (+5.4%) and men (+4.0%) in 2003/04. The larger increase in women's claims may reflect slightly stronger employment growth for women, which increased the number of women with insurable employment and therefore the number of potential EI clients among women.

The average number of insurable hours worked by individuals who accessed regular benefits slightly increased (+0.3%) in 2003/04. It is noteworthy that the average number of hours worked by regular claimants has increased by 11.0% since EI reform (from 1,220 in 1995/96 to 1,354 in 2003/04).

Chart 2: Frequent Claims as a Percentage of Regular Claims



The proportion of frequent claimants accessing the program decreased slightly during the reporting period, from 34.5% to 34.1% (refer to Chart 2).[9] Frequent claims are largely associated with seasonal work, an important aspect of the Canadian labour market. In previous reports, we noted that the volume of frequent claims tends to be less influenced by fluctuations in economic cycles than that of other claims. Evidence in this report supports this notion, as frequent claimants increased moderately (+3.6%) in 2003/04, while first-time and occasional claimants increased by 5.8% and 4.3%, respectively. As mentioned in previous reports, seasonal work and frequent claims are most common among men.

An analysis of seasonal patterns of claims indicates a lot of variation across the country. As indicated in Table 3, a greater proportion of EI regular beneficiaries file seasonal[10] claims in provinces where seasonal industries play a predominant role in the economy. Seasonal claims varied from a low of 6.1% in Nunavut to a high of 53.4% in Prince Edward Island.

Table 3
Seasonal Claims as a Percentage of All Regular Claims by Province, 2003/04

Province/Territory	Percentage
Prince Edward Island	53.4%
Newfoundland and Labrador	51.1%
New Brunswick	48.5%
Nova Scotia	38.8%
Quebec	30.9%
Saskatchewan	27.8%
Yukon	25.8%
Manitoba	25.2%
British Columbia	20.1%
Northwest Territories	18.2%
Ontario	18.0%
Alberta	14.1%
Nunavut	6.1%
Canada	**27.5%**

Among seasonal claimants, some individuals who have a work period followed by a benefit period that total less than 52 weeks per year exhaust their EI benefits, resulting in a possible "gap" in their income stream. Such claimants are often referred to as "EI gappers."

In 2003/04, there were 26,680 seasonal gappers in Canada. They represented about 1.7% of all regular claimants. More than half (56%) experienced a gap of 5 weeks or less. Approximately 32% experienced a gap of 6 to

[9] First-time claimants are defined as individuals who did not have a claim in the five years prior to their current claim. Occasional claimants are defined as individuals who have had fewer than three active claims in the five years prior to their current claim. Frequent claimants are defined as individuals who have had three or more active claims in the five years prior to their current claim.

[10] A seasonal claimant is a frequent claimant whose claim history has a seasonal pattern. That is, the current claim starts at about the same time of the year as have previous claims.

11 weeks and 12%, a gap of 12 to 19 weeks. Almost two-thirds of all seasonal gappers (62%) were men and just over half (51%) were aged 45 and over. A large proportion (45%) were composed of workers aged 25 to 44 and only 4% were 24 and younger.

Seasonal gappers came from every province but were more prevalent in Quebec and in Atlantic Canada. In 2003/04, 33% were from Quebec, 30% were from Atlantic Canada, 15% from Ontario, 12% from the Prairies, and 9% from British Columbia and the territories. Likewise, there were seasonal gappers in every industry. In fact, 19% of all seasonal gappers were employed in the construction industry, the highest proportion. Agriculture (12%) and government services (11%) also employed important shares of all seasonal gappers.

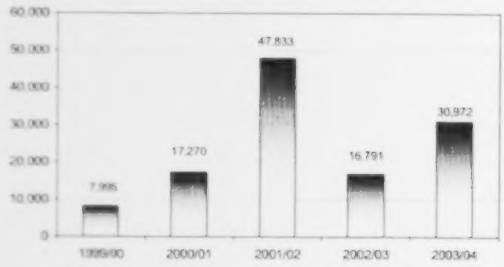
2. *Work Sharing and Work Sharing While Learning*

Work Sharing is designed to help employers and workers avert temporary layoffs. The measure provides income support to workers eligible for EI benefits who are willing to work a temporarily reduced work week when there is a reduction in the normal level of business activity that is beyond the control of the employer.[11] Work Sharing agreements must be approved by both employee and employer representatives and by the EI Commission and can range in duration from 6 to 26 weeks with an extension of up to a maximum of 38 weeks.

Work Sharing agreements benefit employers by allowing them to stabilize their work force, retain skilled employees, and avoid the costly process of recruiting and training new employees when business returns to normal levels. Employees benefit by retaining their jobs and receiving EI income benefits for the days without work. It should be noted that if a worker is laid off subsequent to Work Sharing, his/her entitlement to EI regular benefits is unaffected by the receipt of Work Sharing benefits.

EI administrative data show that use of Work Sharing increased in 2003/04, reflecting the unanticipated shocks that affected the economy, though there were still far fewer claims than in 2001/02, when many agreements were adopted to deal with disruptions following September 11th. Chart 3 indicates there were 30,972 new Work Sharing claims in 2003/04, an increase of 84% from the previous reporting period.

Chart 3: New Work Sharing Claims



During fiscal 2003/04, HRSDC increased flexibilities in the administration of the Work Sharing program to help industries that were affected by severe acute respiratory syndrome (SARS), bovine spongiform encephalopathy (BSE), British Columbia fires, Hurricane Juan and the slowdown in the automotive industry.

As of the end of fiscal 2003/04, 176 SARS-specific Work Sharing agreements had been signed across the country. These agreements represented 3,654 participants and averted 1,660 layoffs. The total value of the SARS agreements to March 2004 was $8.1 million. As of the end of March 2004, 137 BSE-specific Work Sharing agreements had been signed. These agreements represented

[11] Information on the Work Sharing program is available on the Human Resources and Skills Development Canada Web site at http://www.hrsdc.gc.ca/en/epb/sid/cia/grants/ws/desc_ws.shtml.

3,628 participants and averted 2,046 layoffs. The total value of the BSE agreements was $18.9 million. There were 18 softwood lumber Work Sharing agreements approved. These represented 2,373 participants and averted 1,964 layoffs. The total value of these agreements was $5.1 million.

In 2003/04, the average Work Sharing claim lasted approximately 15.7 weeks, compared to 16.0 weeks in 2002/03, and paid an average weekly benefit of $49, less than in 2002/03 ($54). Average work reduction was about 27%, or 1.4 work days per week for a full-time employee.

Administrative data on the Work Sharing program show that it is used extensively in the manufacturing sector. The vast majority of Work Sharing claims were in Ontario and Quebec, but all regions participated. In 2003/04, the Work Sharing program averted approximately 8,310 layoffs.

Work Sharing While Learning

Work Sharing While Learning (WSWL) was a variation of the existing Work Sharing program. This pilot program was designed to address difficulties experienced by businesses in EI economic regions with an unemployment rate of 10% or greater. The WSWL initiative had two objectives: to reduce or avert layoffs; and to encourage investment in employee skill development through retraining.

To participate in WSWL, an employer must have planned to undergo restructuring within the company and have been prepared to develop a significant restructuring and training plan to support its WSWL application. The training component had to comprise at least 30% (or a minimum average of four hours per week per participant) of the total non-productive time over the duration of the WSWL agreement.

The WSWL program was more flexible than the regular Work Sharing program in that the employees could benefit from the program for a longer period of time. A WSWL agreement could be signed for an initial period of up to 52 weeks and an additional 52-week extension under exceptional circumstances.

As of March 31, 2004, there had been no uptake of the WSWL program. The program was piloted for a two-year period ending December 15, 2004.

3. Fishing Benefits

As mentioned in last year's *Monitoring and Assessment Report*, three federal organizations contribute either directly or indirectly to the regulations surrounding participation in the commercial fishery or in EI fishing benefits: Fisheries and Oceans Canada (DFO), HRDSC, and the Canada Revenue Agency (CRA). Essentially, involvement ranges as follows: DFO grants fishing licences and regulates the seasons and total allowable catches; CRA determines qualification requirements for the status of self-employed fishers; and HRSDC administers the qualification for and payment of EI fishing benefits. For further details, please refer to Chapter 2 of the *2003 Monitoring and Assessment Report*.

Claims

Although fishing claims represent only 1.9% of all EI claims, they play an important role in supporting communities that depend on the fishing industry. The Canadian fishing industry is generally located in communities where there are limited employment opportunities.

In 2003, primary fisheries production reached a record $2.3 billion.[12] Revenues from the fishery have increased in recent years, along with changes in the composition of the catch.

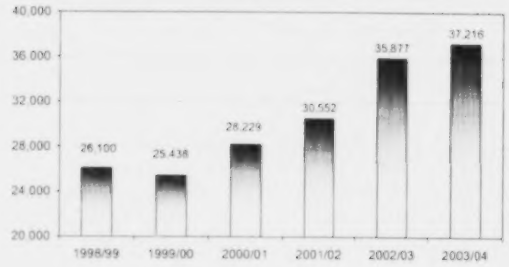
[12] The figure of $2.3 billion reflects revenues from harvesting as these revenues are associated with self-employed fishers. There was an additional $585.5 million in aquaculture; however, these revenues are associated with paid employees who are not covered under the fishers' EI program.

Declining groundfish stocks in Atlantic Canada and salmon stocks on the Pacific coast over the past decade signalled important changes in Canada's fishing industry. Shellfish now constitute 86% of the value of the commercial fishing industry in Atlantic Canada, while in British Columbia all species groups contribute almost equally to the value of the Pacific fishery.

Data from DFO indicate that, overall, the value of the catch has increased at a higher rate than the landings over the period 1996 to 2003. Total landings of commercial fisheries in 2003 totalled 1,129,338 tonnes, increasing by 18.0% from 1996. In the same seven-year period, the value of the catch increased by 23.3%, from $1.9 billion in 1996 to $2.3 billion in 2003.[13] Between 1996 and 2003, the number of vessels in Canada's commercial fishing fleets decreased by 20.1%, which contributed to the increased average landing value within fleet sectors over the same period.

In 2003/04, the number of fishing claims increased by 3.7% or 1,339 claims to 37,216 over the previous reporting period (refer to Chart 4). This represents the smallest increase of the last four years. Claims increased in almost all major fish-producing provinces, with the most substantial increase in Nova Scotia (+7.1%) and more modest increases in Prince Edward Island (+4.4%), Newfoundland and Labrador (+3.4%), British Columbia (+3.1%) and New Brunswick (+2.1%). Fishing claims in Quebec decreased by 7.8%, a first since 1998/99. Nationally, claims by men increased by 3.3%, from 30,005 to 30,987, while claims by women increased by 6.1%, from 5,872 to 6,229.

Chart 4: New Fishing Claims



Over the past several editions of the *Monitoring and Assessment Report*, the opportunity for fishers to establish two claims in a single year has been discussed. The Department made efforts to advise fishers of the possibility of establishing two fishing claims a year. As a result, the number of fishing claimants with two claims has been rising in recent years, though 2003/04 saw the smallest increase (+14.6%) in multiple claims since 1999/00. This issue will continue to be examined in future reports, to see if a stabilizing trend is emerging.

Results for 2003/04 show that 35.3% of fishing claimants had two claims during the reporting period. The number of men establishing two claims was 8,517 in 2003/04, while 1,184 women had two claims over the same period. Provincially, in Quebec 55% of fishers made two claims while in Prince Edward Island, Newfoundland and Labrador, and New Brunswick, about 45% of fishing claimants made two claims. In Nova Scotia, 34% of fishers had two claims. British Columbia was the only major fish-producing province that did not follow this pattern, with only 4.5% of fishers filing two claims.

Frequent claimants comprised 87.1% of fishing claims in 2003/04, up by 2.5 percentage points from 2002/03. Frequent claims increased by 6.7% in 2003/04, following larger increases in

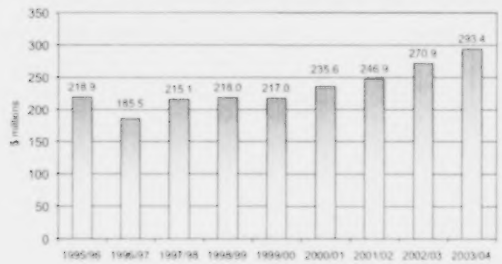
[13] Please note that landed values are in constant 2003 dollars. For more data on the Canadian fishing industry, please refer to the DFO Web site at http://www.dfo-mpo.gc.ca/index.htm.

the four previous reporting periods. Provincially, the most notable increase in frequent claimants occurred in Nova Scotia (+8.7%) and Newfoundland and Labrador (+8.1%), with slighter increases in Prince Edward Island (+5.7%), British Columbia (+4.6%) and New Brunswick (+1.6%). Quebec saw the number of frequent claimants decrease by 3.5%, largely due to the drop in overall fishing claims in that province.

Benefits

Fishers received $293.4 million in EI fishing benefits in 2003/04, an increase of 8.3% over 2002/03, reflecting the overall rise in the number of fishing claims (refer to Chart 5). Total fishing benefits paid increased in all of the major fish-producing provinces except Quebec, which had a 4.5% decrease in fishing benefits. The most important increases in fishing benefits paid occurred in Newfoundland and Labrador (+10.8%), New Brunswick (+8.6%) and Nova Scotia (+8.3%).

Chart 5: Fishing Benefits Paid ($M)



In 2003/04, average weekly benefits for fishers were relatively stable at $381. This is about 22% higher than average weekly benefits for regular claimants ($312), reflecting the fact that fishers generally earn their annual income over a relatively short period of time, which translates into higher weekly earnings.

Average duration on claim remained at 21 weeks, as was the case in 2002/03. Among the major fish-producing provinces, average durations were 22 weeks in British Columbia, 21 weeks in Newfoundland and Labrador, and 20 weeks in all others. In the case of multiple claims, average duration was 18 weeks on each of the two claims, only 3 weeks below the overall per-claim average. This translates into an average of 36 weeks of benefits per year for claimants with multiple claims.

III. SUPPORTING WORKING CANADIANS AND THEIR FAMILIES

1. Overview

The EI legislation has evolved to cover employment risks other than involuntary job loss, such as those associated with childbirth and adoption, parenting, illness and, most recently, the grave illness of an immediate family member.

The EI program provides four types of special benefits designed to support workers when they experience a potential interruption of earnings due to illness, childbirth, parenting, or provision of care or support to a gravely ill immediate family member. Sickness benefits are payable to claimants who are unable to work due to illness, injury or quarantine to a maximum of 15 weeks. Biological mothers need to recuperate after childbirth and care for their newborn infants. This is why the EI program provides maternity benefits to a maximum of 15 weeks. To help biological and adoptive parents to balance their work and family responsibilities by staying at home with their newly born or adopted child, parental benefits are payable to a maximum of 35 weeks. Since January 2004, six weeks of EI compassionate care benefits are payable to workers who need to take a temporary leave from work to provide care or support to a family member who is gravely ill with a significant risk of death.

As indicated in the previous three reports, changes were made to enhance the duration, flexibility and accessibility of parental benefits, effective December 31, 2000.[14] This report represents the third full reporting period for which enhanced parental benefits were available. It is also important to note that Bill C-49, introduced on March 27, 2002, changed both the period for claiming special benefits and the maximum number of combined weeks of special benefits from 50 to 65 weeks under certain circumstances.[15] With the introduction of compassionate care benefits, the maximum number of combined weeks of special benefits is now 71 weeks under certain circumstances.

In 2003/04, there were 513,510 new special benefits claims, an increase of 7.6% from 2002/03. Similar to previous reporting periods, women continued to account for more than two-thirds (70%) of all special benefits claims. However, their share has been declining in recent years from 75% in 1995/96.

Total special benefits payments increased by $280 million or 8.2% to $3.7 billion in 2003/04, reflecting the maturation of changes made to parental benefits in 2000. In 2003/04, annual growth was much lower than the growth of 53.6% in 2001/02 and 22.0% in 2002/03. As a result, special benefits paid as a proportion of total income benefits remained at about 28.1%, compared to 27.8% in 2002/03 and 24.4% in 2001/02. This is much higher than the pre-reform level of 13.6% in 1995/96.
The average weekly benefit for all special benefits claims increased by 1.8% to $299.

2. Maternity Benefits

Claims for maternity benefits increased somewhat (+5.7%) from 190,720 to 201,610 in 2003/04. The average weekly benefit rate ($307) for maternity claims also increased by 2.2% over 2002/03. As a result, total maternity benefit payments increased by 8.8% to $910.6 million over the previous reporting period. The average number of weeks for which maternity benefits were paid also remained stable at 14.5 weeks, or 96.9% of the maximum entitlement of 15 weeks.

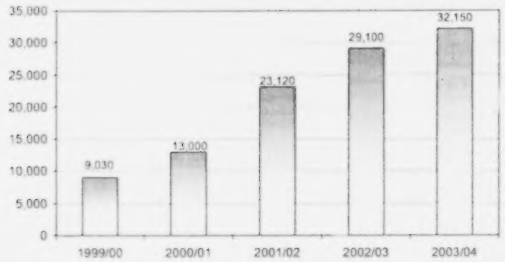
3. Parental Benefits

Claims for parental benefits increased by 6.5%, from 214,850 to 228,810, in 2003/04, making this the fourth consecutive year that parental claims have exceeded maternity claims. Biological parental claims by men increased by 10.5% in 2003/04, increasing from 29,100 to 32,150 (refer to Chart 6). After declining in 2002/03 for the first time since 1997/98, the number of biological parental claims by women increased by 5.7% from 182,990 to 193,470, a reflection of the increase in maternity claims. It is also noteworthy that in 2003/04, the number of parental claims for adoption increased by 15.6% over 2002/03, from 2,760 to 3,190, representing the third consecutive year that parental claims for adoption have risen.

[14] The duration of parental benefits was increased from 10 to 35 weeks. Accessibility was also improved by reducing the entrance requirement for all special benefits from 700 to 600 hours of insurable employment. Finally, flexibility was improved by allowing parents sharing benefits to serve only one two-week waiting period; and by allowing parents to earn the greater of $50 or 25% of their weekly parental benefits without losing some of their benefits dollar for dollar.

[15] Prior to Bill C-49, claimants could receive a maximum of 50 weeks of special benefits. Effective March 3, 2002, these provisions ensure full access to special benefits for biological mothers who claim sickness benefits prior to or following maternity or parental benefits.

Chart 6: Number of Fathers Claiming Parental (Biological) Benefits



This is the third reporting period that allows a full account of benefit expenditures for the enhanced parental benefits. After tremendous growth of 43.9% in 2002/03 and 167.3% in the year before that, expenditures grew much more modestly in 2003/04. Total parental benefit payments increased by 7.8% to $2.02 billion. The average weekly benefit for biological parents was $320, an increase of 2.1%, while the average weekly benefit for adoptive parents was $367, up by 2.6% from the previous reporting period.

The parental benefits enhancements, effective December 31, 2000, included several changes designed to improve benefit flexibility and to promote an increased take-up rate by men. The 35-week entitlement can be used by one parent or shared by both. Increasingly, couples are deciding to share parental benefits. The proportion of parental (biological) claims made by men increased from 13.7% in 2002/03 to 14.2% in 2003/04. However, the majority of new parental claims (85.8%) continue to be established by women.

In 2003/04, 11.9% (23,030 out of 193,470) of women who claimed parental (biological) benefits shared them with their partner, a slight increase from 11.3% in 2002/03. In comparison, 69.0% (22,170 out of 32,150) of men shared parental benefits with their spouse, a moderate increase from 65.2% in the previous reporting period. It is noteworthy that in 9,980 cases, men were the only recipient of parental benefits in the family. Adoptive mothers in receipt of parental benefits shared them with their partner in a proportion of 18.4% (480 out of 2,610), down from 18.7% in 2002/03. In addition, 65.5% (380 out of 580) of men shared parental (adoption) benefits with their spouse, up from 64.9% in the previous reporting period.

In 2003/04, the average duration of parental (biological) benefit leave taken by parents who shared the benefits remained relatively stable (-0.4 weeks) at 31.0 weeks or 88.5% of entitlement.[16] The average duration of parental benefits for parents sharing the benefits was 9.6 and 21.4 weeks for men and women, respectively. The average duration of parental benefits in families where one parent used the benefits was approximately the same as the combined duration for parents sharing benefits, at 31.2 weeks or 89.1% of entitlement. When combined with maternity benefits and the waiting period, it can be said that biological parents were using at least 91% of the full year available to them.[17]

Adoptive parents in receipt of parental benefits and sharing these benefits were on claim for an average of 32.9 weeks or 93.9% of their 35-week entitlement, an increase of 11.0% from 2002/03. The average duration was 13.4 and 19.5 weeks for men and women, respectively. Adoptive parents not sharing parental benefits were on claim for an average of 31.0 weeks or 88.7% of entitlement, an increase of 2.5% from the previous reporting period.

[16] To ensure that the analysis of weeks paid is based on completed claims, the data cover all claims commencing during the first half of the reporting period.

[17] The percentage of entitlement used is calculated as the average of maternity and parental benefits weeks paid combined with the two-week waiting period expressed as a proportion of 52 weeks (the maximum duration of a maternity/parental EI claim).

4. Sickness Benefits

The number of sickness claims increased by 8.7%, from 270,580 to 293,990, in 2003/04. Total payments for sickness benefits increased by 8.2% to $778.5 million, while the average weekly benefit level for sickness claims was $280, an increase of 1.6% over 2002/03. The average number of weeks for which sickness benefits were paid remained relatively stable (-2.1%) at 9.4 weeks, or 62.4% of entitlement.

During the reporting period, sickness claims increased by 7.8% for women and 9.9% for men. While their share of sickness claims remained relatively stable (decreased by 0.5 percentage points) in 2003/04, women continued to account for the majority of sickness claims at 58.5%. Sickness claims increased for all age groups during the reporting period, by 7.7%, 7.8% and 13.5% for youth, for those aged 25 to 54 and for older workers, respectively.

5. Compassionate Care Benefits

As noted above, effective January 4, 2004, six weeks of EI compassionate care benefits were introduced. It should be noted, however, that since these new benefits only affect the last three months of the current reporting period, it is still too early to assess the impacts of the compassionate care benefits in terms of take-up and duration of use.

Preliminary findings indicate that 2,033 claimants benefited from the compassionate care benefits in the first three months of 2004. Overall, $1.8 million was paid in benefits for that period; 35% of all claimants were from Ontario and the vast majority (71%) were women.

Next year will be the first full reporting period for which compassionate care will be available.

Activities funded under Part II of the *Employment Insurance Act* represent important contributions towards enhancing the skills that Canadians need to prepare for, obtain and maintain employment. Such activities include services provided by the National Employment Service (NES) and Employment Benefits and Support Measures (EBSMs). They also include similar benefits and measures that can be designated under a different name, where responsibilities have been transferred to provincial or territorial governments under Labour Market Development Agreements (LMDAs) and to Aboriginal groups under the Aboriginal Human Resources Development Strategy (AHRDS).[1] These activities are used to address differing client needs, which include adapting to varying labour market conditions and, in some instances, to situations of economic uncertainty. These activities include providing unemployed Canadians with work experience while supporting a community's economic development needs; helping unemployed individuals to start their own business; encouraging employers to hire individuals whom they would not normally hire in the absence of a subsidy; helping unemployed individuals meet the cost of skills training programs; providing a full range of self-help and assisted services, such as counselling, job search techniques, action planning, job placement and labour market information; providing funding to assist employers, employee and/or employer associations, and communities to improve their capacity to deal with human resource requirements and to implement labour force adjustments; and helping support research activities that identify improved methods of helping Canadians prepare for, obtain and maintain employment, as well as be productive participants in the labour force. Throughout this chapter, references to EBSMs include similar employment benefits and support measures delivered by provinces and territories that have signed transfer LMDAs and by Aboriginal Human Resources Development Agreement (AHRDA) holders. Data for 2003/04 are compared to data for 2002/03, unless otherwise noted.[2]

I. OVERVIEW

1. Active Measures[3]

Part II of the Act helps to maintain a sustainable Employment Insurance (EI) system through the establishment of EBSMs and the maintenance of the NES. Under Part II, active employment measures are divided into two main categories: 1) employment benefits and 2) support measures in support of the NES.

Employment benefits are only available to eligible participants (active and former EI claimants[4]) and generally involve long-duration interventions with clients. These benefits include Targeted Wage Subsidies, Self-Employment, Job Creation Partnerships, and Skills Development.[5]

The NES was established to help workers find suitable employment and employers find suitable workers. It also provides services such

[1] Please refer to Annex 3.1 and 3.2 for more information on LMDAs and the AHRDS.
[2] Numbers quoted throughout this report may differ from those published in HRSDC's Departmental Performance Report (DPR). The DPR is based on information available at the end of September and does not necessarily reflect year-end figures.
[3] Please see Annex 3.2 for eligibility criteria and Annex 3.3 for further information on active measures.
[4] Former EI claimants are individuals whose EI claim ended in the preceding three years or who began a maternity or parental claim in the preceding five years.
[5] Apprentices are a subset of Skills Development. This relates to the fact that, in some jurisdictions, apprentices may receive Part II SD funding to cover additional training-related expenses of EI clients. Further, in some jurisdictions, funds are transferred to the province/territory to cover the cost of training incurred by provinces providing training through public institutions.

as career counselling, résumé writing, guidance on job-search techniques, access to labour market information (LMI) and other self-serve options. For example, it delivers Individual Counselling and Employment Group Services (EGS) to individuals in need of such assistance.

Three support measures have been established in support of the NES. Employment Assistance Services (EAS) generally consist of short-duration interventions or services offered through external organizations and available to all unemployed individuals. These activities can include counselling, developing job-search techniques, establishing action plans and providing labour market information. The Labour Market Partnership (LMP) is a mechanism through which assistance is provided to employers, employee and/or employer associations, and communities to undertake human resources planning and implement labour force adjustments. Research and Innovation (R&I) is used to conduct research that looks at innovative ways to assist people to prepare for, obtain and retain employment. In this chapter, Individual Counselling and EGS under the NES, EAS, and the Supplément de retour au travail (used in Quebec only) will be referred to as employment services. Finally, the LMP and R&I are categorized as "other" support measures, notably in the annexes.

2. Priorities and EBSM Use

The growing importance of lifelong learning is widely recognized across the country. It is projected that about 70% of all new jobs in Canada will require some form of post-secondary education by 2007, and that less than 7% of new jobs will be suitable for people who have not completed their high school education. In the face of this new reality, nearly 8 million adult Canadians have low, or very low, literacy levels. Moreover, employers often draw attention to specific skills that are in short supply and job vacancies that they cannot fill. Those facts, combined with the needs of specific groups and communities, led to significant investments in activities designed to enable individuals to enhance their skills in order to better meet the needs of employers.

As indicated in Chapter 1, job growth was substantially lower than in the previous fiscal year but remained on the positive side. The unemployment rate remained unchanged from that reported in the previous reference period. In this context, common priorities supported by Human Resources and Skills Development Canada (HRSDC), provinces and territories are:

- helping individuals to receive the proper training for the right jobs, including self-employment;
- addressing the needs of individuals who are at the greatest risk, notably by increasing service to former EI claimants;
- providing timely and accurate labour market information; and
- ensuring that the diverse needs of individuals are met through an appropriate balance of EBSMs.

In 2003/04, HRSDC focused on operational directions that reflect the importance of skills and learning as well as partnership. These priorities included:

- a focus on specialized interventions in the area of skills development (such as apprenticeships) to address future skills shortages (refer to Annex 3.2 for the definition of apprentices);
- focused investments in growth sectors where there is greater opportunity for labour market attachment;
- strengthened links with agreement holders and community organizations; and

- emphasis on the provision of career counselling services to clients with greater employability needs.

3. Clients

During 2003/04, excluding self-serve options, 667,504 individuals accessed EBSMs (refer to Annex 3.5 for detailed client data). Women accounted for 43.7% of the EBSM client base. Young Canadians (under the age of 25) represented 17.4% of clients. Over two-thirds (69.6%) of clients were between the ages of 25 and 54. Older workers (55 and older) represented 6.5% of the clients served through EBSMs during 2003/04. Overall, clients participated in 962,922 new interventions, with each client taking part in an average of 1.4 new interventions.

Table 1
EI Part II Clients Served by Client Type

	2002/03	2003/04	Difference
Active EI Clients	396,397 (62.2%)	422,710 (63.3%)	+26,313 (+6.6%)
Former EI Clients	78,214 (12.3%)	85,682 (12.8%)	+7,468 (+9.5%)
Non-Insured Clients	163,143 (25.6%)	159,112 (23.8%)	-4,031 (-2.5%)
Total	637,754 (100%)	667,504 (100%)	+29,750 (+4.7%)

There was an overall increase (+4.7%) in clients served under Part II (refer to Table 1). Former EI clients increased by 9.5% while active EI clients increased by 6.6%. This is generally comparable to the increase in the number of regular EI claims in 2003/04 (+4.6%). Non-insured clients decreased by 2.5%. Non-insured clients are those clients who have not had an active EI claim within the last three years or have not received maternity or parental benefits within the past five years.

A moderately positive labour market likely played a part in the overall increase in total clients served. Unemployed workers may be encouraged to request service to help them get back to work quickly when labour market conditions are positive. In some areas, unanticipated labour market shocks, such as severe acute respiratory syndrome (SARS) and bovine spongiform encephalopathy (BSE), were among the factors that led to the increase in clients served.

While the overall number of non-insured clients served through Part II (who had access only to Employment Services) decreased marginally (-2.5%) from the previous reporting period, sizeable increases occurred in several jurisdictions—Nova Scotia (+54.8%), Prince Edward Island (+30.3%), New Brunswick (+25.1%) and Saskatchewan (+24.5%).[6]

The emphasis in 2003/04 was largely on active claimants.[7] As was reported last year (excluding non-insured clients), the split between active and former claimants was approximately 80% and 20%, respectively. However, analysis of client type is complex due to several factors. For example, some active claimants may have almost exhausted their Part I benefits when they start Part II activities. Also, when clients participate in longer interventions, they are more likely to exhaust their Part I benefits.

Service to former claimants ranged from a high of 24.1% in Alberta to a low of 9.4% in Ontario.[8]

[6] Data for Nunavut were excluded from this analysis as the sample size was too small.
[7] The client type (active, former, non-insured) is determined before an intervention begins and is not reassessed even if the status of the client changes while he or she is participating in an intervention.
[8] Data for Nunavut were excluded from this analysis.

4. *Designated Groups*

Table 2 and Annexes 3.7 to 3.10 provide detailed participation data for designated groups. Nationally, there was little change in the levels of participation of designated groups from the previous reference period. It is important to note that data for designated groups are based on self-identification. However, the data can provide a general indication about designated group participation.[9] It should be noted that there are employment programs, funded through the Consolidated Revenue Fund, specifically designed for some of these designated groups, such as the Aboriginal Human Resources Development Strategy and the Opportunities Fund for Persons with Disabilities.

Table 2
Designated Group Participation in EBSM Interventions*

	2002/03	2003/04	Difference**
Women	45.3%	45.2%	-0.1
Persons with Disabilities	4.7%	4.4%	-0.3
Aboriginal People	7.1%	7.2%	+0.1
Visible Minorities	6.0%	5.4%	-0.6

* Based on data (including Aboriginal) contained in Annexes 3.7 to 3.10

** Calculated in percentage points

The participation of designated groups in benefits and in services is presented below.

Employment Benefits

The overall participation of designated groups in employment benefits remained quite similar to that reported in 2002/03.

- The participation of women in employment benefits decreased a little (by one percentage point) to account for 34.8% of employment benefit interventions. The two interventions that showed a decrease in participation by women were Job Creation Partnerships and Skills Development – Apprentices.
- For benefits, the participation levels of the other three designated groups were all identical at 2.1% in 2003/04. This represents a minor decrease from last year, when persons with disabilities were at 2.3%, Aboriginal people at 2.5% and visible minorities at 3.0%.

Employment Services

For services, the participation levels of designated groups in 2003/04 represented a slight decrease from 2002/03 in each group.

- Women: 48.1% (compared to 48.2% in 2002/03, a difference of -0.1 percentage point).
- Persons with disabilities: 5.1% (5.4% in 2002/03, a difference of -0.3 percentage point).
- Aboriginal people: 5.3% (5.8% in 2002/03, a difference of -0.5 percentage point).
- Visible minorities: 6.4% (6.9% in 2002/03, a difference of -0.5 percentage point).

5. *Interventions and Pan-Canadian Activities*

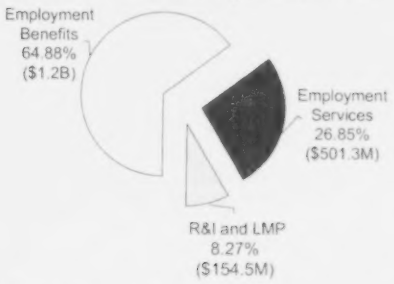
"Interventions"[10] include the full range of employment benefits and employment services that are provided under EBSMs, as well as Employment Group Services and Individual Counselling provided under the National Employment Service. In general, employment benefits are longer in duration than employment services and, as shown in Chart 1, involve a greater investment of funds.

[9] The practice of populating the designated group variables in participant records with information imported from other sources or different records (within the same data source) has been discontinued, due to privacy issues. This would account to some extent for the slight decrease in participation levels.

[10] Note that the number of interventions is not representative of the number of clients (individuals) served. For example, one client may have two separate interventions, thus resulting in a client count of one but an intervention count of two.

The benefit or service used is dependent on the needs and preferences of clients, as well as on the opportunities that exist in the labour market. The interventions reported are those that began between April 1, 2003, and March 31, 2004.

Chart 1: EBSM Expenditures*



* Excludes pan-Canadian expenditures

Employment Benefits

During the reference period, the overall use of employment benefits declined slightly (by 0.7%) to 175,416 compared to 176,576 interventions in 2002/03. As can be seen in Table 3, although Skills Development (SD) – Apprentices increased, this was not sufficient to fully offset decreases in Targeted Wage Subsidies (TWS), Self-Employment (SE), Job Creation Partnerships (JCP), and SD – Regular (refer to Annex 3.6 for a breakdown by jurisdiction). The importance of SD – Regular (close to 50% of interventions) determines the overall trend for employment benefit interventions.

It should be noted that not all provinces showed this same trend. For example, Manitoba showed significant increases in SD – Regular and Apprentices, SE and TWS. SD – Regular also increased notably in New Brunswick while SD – Apprentices increased considerably in Prince Edward Island. JCP increased appreciably in Ontario.

The overall slight decline in benefit interventions may be partially explained by the fact that in modestly positive labour market conditions people prefer to take advantage of increased employment opportunities rather than investing time in long-duration benefits. This is reflected in the noticeable increase (8.8%) in the number of short-duration service interventions that provide help in matching largely job-ready clients with available jobs. Another factor that may also be at play here relates to the rising costs associated with training and other inflationary factors. Findings from future evaluations may provide more information with respect to the use of benefits and services.

Table 3
Employment Benefit Interventions

	2002/03	2003/04	Difference
Targeted Wage Subsidies	24,566 (13.9%)	23,803 (13.6%)	-763 (-3.1%)
Self-Employment	13,675 (7.7%)	12,848 (7.3%)	-827 (-6.1%)
Job Creation Partnerships	10,520 (6.0%)	10,247 (5.8%)	-273 (-2.6%)
Skills Development – Regular	86,926 (49.2%)	83,659 (47.7%)	-3,267 (-3.8%)
Skills Development – Apprentices	40,889 (23.2%)	44,859 (25.6%)	+3,970 (+9.7%)
Total	176,576 (100%)	175,416 (100%)	-1,160 (-0.7%)

SD – Regular and Apprentices accounted for 73.3% of all benefit activity, which reflects the importance placed on these activities by provinces/territories and HRSDC. SD – Regular accounted for close to half the number of benefit interventions (refer to Table 3 – Employment Benefit Interventions). It should be noted that in the case of apprentices, funding comes mainly from EI Part I; apprentices may receive Part II support to cover additional expenses, such as travel.

Just as overall benefit activity declined slightly, expenditures on benefits decreased marginally (-4.3%) to $1.21 billion. However, expenditures on JCP, SE and TWS increased moderately. It should be noted that individuals also received $401.8 million of Part I benefits (refer to Annex 3.11) while taking part in SE. This expense accounted for 12% of the Part I expenditures for EBSMs and pan-Canadian activities, while JCP accounted for 3% and SD for 85%.

Table 4
Employment Benefit Expenditures ($000)*

	2002/03	2003/04	Difference
Targeted Wage Subsidies	$108,395 (8.6%)	$111,632 (9.2%)	+$3,237 (+3.0%)
Self-Employment	$133,972 (10.6%)	$139,526 (11.5%)	+$5,554 (+4.1%)
Job Creation Partnerships	$77,874 (6.2%)	$85,174 (7.0%)	+$7,300 (+9.4%)
Skills Development	$945,668 (74.7%)	$875,128 (72.2%)	-$70,540 (-7.5%)
Total	$1,265,909 (100%)	$1,211,460 (100%)	-$54,449 (-4.3%)

* Please refer to Annexes 3.11 to 3.13 for expenditure details for all EBSMs

Some projects entail longer interventions that span more than one fiscal year, resulting in carry-over of expenses from one year to the next, while the intervention is only counted in the first year.

Age Characteristics of Employment Benefit Participants

When specific benefit options are analyzed more closely, some trends of benefit use by age are apparent. SD seems to be utilized more than TWS by young participants (under 30). People in this age group accounted for about 38% of SD interventions, while they constituted about 29% of TWS.

Participants aged 30 to 44 accounted for just over 42% of all new start SD – Regular interventions in 2003/04. This age group (30 to 44) also comprised just over 42% of TWS users. Those aged 50 to 54 accounted for about 9% of TWS interventions and for 6% of SD – Regular interventions. Older workers (over 55) accounted for almost 7% of TWS and for only 3.5% of SD – Regular interventions.

Employment Services and Other Support Measures in Support of the NES

Employment services are available to all unemployed people in Canada in need of assistance to return to work. As eligibility is not limited to insured persons, these activities are important to those who have been absent from the labour market for an extended period of time, new immigrants who have not yet entered the Canadian labour market or youth who are just entering the labour market.

Individuals reported on in this section include those who had some level of interaction with a case manager[11] or who took part in an Employment Group Services (EGS) intervention.

Table 5
Employment Services Intervention Activity

	2002/03	2003/04	Difference
Employment Assistance Services	426,400 (60.7%)	454,809 (59.5%)	+28,409 (+6.7%)
Employment Group Services	106,448 (15.2%)	112,396 (14.7%)	+5,948 (+5.6%)
Individual Counselling	161,005 (22.9%)	189,151 (24.7%)	+28,146 (+17.5%)
Supplément de retour au travail (Quebec only)	8,508 (1.2%)	7,967 (1.0%)	-541 (-6.4%)
Total	702,361 (100%)	764,323 (100%)	+61,962 (+8.8%)

Overall, service interventions recorded during 2003/04 increased by 8.8% from those reported in 2002/03. This increase brought service interventions to 764,323 in 2003/04, compared to 702,361 in 2002/03 (refer to Annex 3.6 for a breakdown by jurisdiction). Employment

[11] The case manager assesses a client's employment needs and assists with the development of an action plan prior to the client's participation in an employment benefit and/or employment service intervention. The case manager provides ongoing support until the client's employment goals have been achieved.

Assistance Services (EAS), EGS and Individual Counselling increased to varying degrees with the largest increase occurring in Individual Counselling (+17.5%). The breakdown between EAS and EGS should be considered as an approximation due to the fact that in some jurisdictions these activities are not recorded separately. Data analysis indicates that service interventions had no identifiable patterns of use by age.

Although data for overall service interventions indicate a noteworthy increase from that reported last year, it is important to qualify this occurrence. Increases in the utilization of some services can be expected when modestly positive labour market conditions prevail. Often, clients who are job-ready want to take advantage of these positive conditions and require only the type of assistance available through services.

Table 6
Employment Services and Other Support Measures Expenditures ($000)*

	2002/03	2003/04	Difference
Employment Assistance Services	$485,151 (73.6%)	$497,615 (75.9%)	$+12,464 (+2.6%)
Labour Market Partnerships	$165,918 (25.2%)	$149,383 (22.8%)	$-16,535 (-10.0%)
Research and Innovation	$3,533 (0.5%)	$5,126 (0.8%)	$+1,593 (+45.1%)
Supplément de retour au travail (Quebec only)	$4,188 (0.6%)	$3,701 (0.5%)	$-487 (-11.6%)
Total	$658,790 (100%)	$655,825 (100%)	$-2,965 (-0.5%)

* Please refer to Annexes 3.11 to 3.13 for expenditure details for all EBSMs

Expenditures on EAS indicate a modest increase in service activity, as these expenditures reached $497.6 million in 2003/04, an increase of 2.6% over 2002/03, when expenditures were $485.2 million.[12]

In addition to the assisted services reported here, clients also have access to self-serve options in support of the National Employment Service (NES). These services include labour market information (LMI) products and Job Bank.

The LMI Web application (www.labourmarketinformation.ca) was enhanced to become more intuitive and user-friendly. New features now provide users with the ability to perform such tasks as building a personalized occupational profile, comparing different occupations within a region, and evaluating the differences from region to region for a particular occupation. To assist Canadians, a standard suite of products has been developed for local communities across Canada. These local common products assist with the mobility of workers across regions and occupations and allow for better communication among service providers, decision makers, counsellors, employers and partners. The main products for work seekers provide an analysis of an occupational group or a job within that group, local wage information, a list of local employers where the occupational group may be represented, and labour market events of local, regional or national significance, in such a way as to explain their impact on the local labour market. There are also some provinces that have developed their own labour market information products.

[12] Expenditures for EGS and Individual Counselling are included in in-house operational budgets and under EAS in some jurisdictions. There is no specific allotment associated with these activities.

Job Bank is a Web service that supports the NES by helping connect employers to suitable workers and workers to suitable employment. It is the largest Web-based network of job advertisements across Canada and is available to Canadian employers and job seekers free of charge. Job Bank for Employers allows employers to enter their own job advertisements on-line, resulting in a considerable increase in job postings on Job Bank. In fiscal year 2003/04, there were 229,028 jobs entered by employers through Job Bank for Employers.

A recent telephone survey of employers indicated that 68% of employers use the self-posting service, compared to 32% who still use the old job order-taking system. Employers regard Job Bank as a well-established component of the Canadian labour market and report high levels of satisfaction with the service. The reasons for using Job Bank cited by employers reflect either positive past experience or an expectation of satisfaction with the service. Survey data also indicate high effectiveness of the service, with employers attributing 80% of hires directly to Job Bank.

A new application called Job Bank for Job Seekers (JBFJS) allows job seekers to create and advertise their skills profile based on the National Occupational Classification. This profile can be used for an automated match with skills sought by employers. It is the basis for the newly created service, which helps employers find suitable employees and workers find suitable employment. These Internet-based applications allow Job Bank to more actively support the NES as mandated by the *Employment Insurance Act*. With 73 million user sessions per year, Job Bank is the most visited federal government Web site.

Adjustment Activities

The Labour Market Partnership (LMP) support measure provides funding to assist employers, employee and/or employer associations, and communities to improve their capacity for dealing with human resource requirements and to implement labour force adjustments. This assistance is in response to such situations as industry downsizing or upsizing, introduction of new technologies, shortage of year-round job opportunities, labour shortages, or lack of community and organizational capacity for human resource planning. LMP addresses labour market issues through partnerships.

For example, in regions with a co-management LMDA, such as Newfoundland and Labrador, Nova Scotia and Prince Edward Island, LMP-supported activities were undertaken to develop human resource planning strategies related to tourism, information technology, agriculture, health care and construction. LMP-supported activities also assisted communities in adapting to mine closures and the downturn in the fisheries sector. In British Columbia, communities developed human resource planning strategies and carried out awareness activities with employers and workers. Other activities included identifying employment opportunities and skill requirements in the tourism, health, manufacturing and construction sectors. In Ontario, LMP was used to identify skill supply and demand issues within communities. This information assisted employers, employer and/or employee associations, and communities to develop human resource planning strategies. Industrial sectors were also able to access the program to develop specific human resource planning tools for employers. Adjustment activities assisted workers to more effectively cope with industry downsizing. This was particularly relevant to the auto sector, the airline industry and the forestry sector.

In addition to these activities, pressures resulting from the onset of severe acute respiratory syndrome (SARS) at the end of

2002/03 resulted in assistance being provided to mitigate the economic impact of SARS on affected workers. The Toronto HRSDC offices implemented a number of EAS and Labour Market Partnership (LMP) initiatives extending into the summer of 2004. For example, under EAS, two employment recovery centres were supported to enable clients from SARS-affected industries to find other employment. Clients were directed to the benefits and services available to them in the community, were assisted in addressing some of the personal challenges they faced as a result of job loss and were provided with the tools needed to help them re-enter the workforce. As well, with LMP assistance, the Hospitality Workers' Adjustment Centre—jointly managed by hotel industry management and associated unions—was staffed by peer helpers to provide information, support and non-vocational counselling services. Additionally, the full range of employment programming and support was provided by local Human Resources Centres of Canada.

Pan-Canadian Activities

Pan-Canadian activities are national or multi-regional in scope or purpose. They include activities that respond to special labour market issues or situations that extend to or affect the country as a whole or more than one province or territory. They also consist of labour market development activities that can be described as being of national importance or as improving the functioning of the labour market in Canada, such as supporting inter-provincial labour mobility, promoting and supporting national sectoral partnerships, and operating the national labour market information and national labour exchange systems. The key activities carried out under pan-Canadian programming relate to the Aboriginal Human Resources Development Strategy (AHRDS), Workplace Skills Strategy, Sector Council Program, youth programming, and the research and demonstration projects done by the Policy Research and Coordination Directorate.

As part of the Government of Canada's response to the recommendations of the Royal Commission on Aboriginal Peoples, the AHRDS was given a five-year (1999/00 to 2003/04), $1.6-billion budget to help Aboriginal communities and organizations take on the responsibility of developing and implementing their own employment and human resources programs. During 2003/04, approximately $92.8 million of pan-Canadian funding went to support the AHRDS, which works to expand the employment opportunities of Aboriginal people across Canada. The AHRDS initiative assists Aboriginal individuals to prepare for, obtain and maintain employment with an emphasis on helping adults, youth, off-reserve Aboriginal people and persons with disabilities. Activities under this initiative were carried out in partnership with the provinces/territories, the private sector and the Aboriginal Human Resources Development Sector Council. The AHRDS was renewed for the next five years (2004/05 to 2008/09).

Other pan-Canadian activities supported sector councils, which are led by industry partners (employers and workers) in a defined area of economic activity, who seek to identify and address current and anticipated human resources and skills and learning challenges in various areas of the Canadian labour market. Sector councils represent industry and labour partnerships that span a variety of economic sectors across Canada — from child care, to the environment, to textiles. They also develop innovative projects that help to ensure skills developed by the educational sector are responsive to industry needs and increase access to and opportunities for continuous learning. For example, the Software Human

Resources Council launched a project called Information Technology Support Associate (ITSA) to develop national standards and certification of individuals who are part of the ITSA program. Research for the on-line delivery of the program, through distance education, is also part of this initiative.

The Sector Council Program has been the primary funding stream under which a range of skills-enabling projects is developed to help workers and employers collectively address their human resource issues and skills upgrading challenges. These projects include labour market information (LMI), occupational standards, curriculum development and foreign credential recognition. The Sector Council Program also supports the development and distribution of a number of career information products aimed at facilitating labour market entry and career progression for young Canadians.

Three new sector councils were created—for automotive manufacturing, child care and customer contact centres– bringing labour market coverage of the current network of 29 councils up to 40%. Sectoral partners focused their efforts on fostering increased industry commitment to lifelong learning in the workplace, as well as developing and disseminating innovative skills development products and tools. Close to 150 projects addressing skills and learning and human resources issues, including projects aimed at occupational standards and skills upgrading, have been launched.

Through the Sector Council Program, the Canadian Apprenticeship Forum and Skills Canada have cooperated in the implementation of a national campaign to promote a positive image of the trades among young people, parents and educators, and to encourage employers to train more apprentices. This project's ultimate goal is to increase certification rates in skilled trades.

Pan-Canadian funding was also used to support the Youth Awareness initiative, which provides financial assistance through the LMP for projects developed to respond to specific labour market requirements and adjustments over time. Youth Awareness projects are designed to address particular labour market issues facing communities and can be used to develop and implement human resource strategies to meet employers' current and future human resource needs. The main goal of Youth Awareness is to mobilize employers and communities to include youth in their response to their labour market adjustments and requirements.

For example, Skills Canada, through annual provincial/territorial and national competitions, and bi-annual international competitions, promotes the awareness of trades as viable career options for youth; demonstrates for employers the skills acquired through education in the trades; and consequently promotes youth and their skills as the means to address future human resource requirements. Skills Canada works in partnership with employers, educators, labour groups and governments to reposition trade and technical careers as a first-choice career option for Canadian youth, thereby helping to secure Canada's skilled labour needs.

As well, projects funded through Research and Innovation seek to identify better ways of helping persons to prepare for, return to or keep employment, and be productive participants in the labour force. Project impacts are evaluated by comparing outcomes for participants who receive financial incentives and services (program group) with outcomes for participants who receive regular benefits and services (control group). Research and

Innovation projects provide evidence about what does and does not work from the perspectives of government budgets, program participants and society as a whole.

II. RESULTS

The results in this section are presented in terms of:

- returns to work and unpaid benefits; and
- results by intervention.

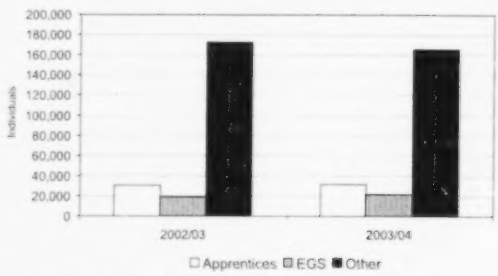
1. Returns to Work and Unpaid Benefits

EBSMs are designed to enable improved employment outcomes and enhance the employability of individuals, through more skills, better knowledge, access to opportunities to gain work experience and other impacts. Results in any one jurisdiction are influenced by local and regional labour market characteristics and jurisdictional service delivery strategies. For some types of interventions, expenditures in one year do not produce results until the following year. Therefore, current year results may not correspond to current year expenditures. For these reasons, one should not make comparisons across jurisdictions. Rather, it is suggested that one compare results with those of the same jurisdiction in the previous year and/or with the established targets.

Returns to work and unpaid benefits have been identified as the key success indicators for clients participating in EBSMs, which include Apprenticeship, Employment Group Services (EGS) and Individual Counselling. It should be noted that these indicators reflect overall outcomes, not the net impacts generated by benefits and services. "Returns to work" refers to the number of insured participants who have received support through EI Part II and who are working in paid employment after the intervention. "Unpaid benefits" refers to the difference between an individual's maximum entitlement to Part I benefits and the actual payout of such benefits. It is important to note that unpaid benefits cannot be equated to savings; they greatly exceed the amount that could represent potential savings because they do not take into account when the client may have found work without assistance.

As demonstrated in Chapter 1, Canada's economic and employment growth slowed down from 2002/03 but remained modestly positive during the reporting period. Data related to Part II indicate that, for non-Aboriginal Human Resources Development Strategy (AHRDS) clients, returns to work decreased slightly (-1.4%) from 221,943 in 2002/03 to 218,876 in 2003/04—even though overall job growth in the Canadian economy slowed by about one-third. Unpaid benefits increased marginally (+3.0%), from $814.5 million in 2002/03 to $839.0 million in 2003/04 (refer to Annex 3.14).[13] In both cases, a majority of jurisdictions achieved results that exceeded their targets.

Chart 2: Returns to Work

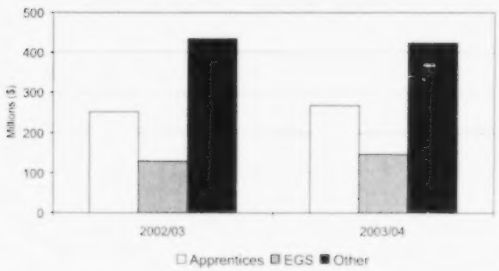


Charts 2 and 3 present returns to work and unpaid benefits results by the categories of

[13] There was a marginal increase in unpaid benefits because the number of EI active claimants returning to work before the end of their entitlement period (i.e., those who generate unpaid benefits) increased slightly, even though the overall number of returns to work decreased slightly.

Apprentices, EGS and "other."[14] This categorization is used because of substantial differences in the nature of these activities. As can be seen in both these charts, Apprentices and EGS results increased to some extent from 2002/03 to 2003/04, while those for other interventions decreased a little. Detailed data show that returns to work associated with EGS and Apprenticeship increased by 17.0% and 4.4%, respectively. This compares to a decrease of 4.4% for other interventions. Similarly, unpaid benefits for EGS and Apprentices increased by 14.0% and 6.4%, respectively. This compares to a decrease of 2.3% for the remaining interventions.

Chart 3: Unpaid Benefits



The results associated with EGS are in line with the increase in EGS interventions. EGS is used to assist job-ready individuals to return to work quickly and generally occur during the first weeks after an EI claim has been filed. A quick referral to an EGS intervention provides potential for unpaid benefits. This is more significant when labour market conditions are favourable, as more job-ready clients would be served through EGS, so the pool of possible results would be much larger. Unlike the results for other interventions, results for EGS are associated with clients who participated in EGS interventions only.

Apprenticeship is an important tool in addressing skills shortages. To encourage apprenticeship HRSDC eliminated the second waiting period for Part I benefits for apprentices, effective July 21, 2002. However, when looking at results data, it is important to point out that apprentices generally return to work because of the nature of the program—it involves an in-class portion and an on-the-job portion. In many cases, apprentices are employed but temporarily leave their employer to undertake training in an apprenticeship program and, upon completion, return to the same employer. As such, it is expected that the success of apprentices, with respect to returning to work, would be relatively high.

Results deriving from AHRDS activities increased considerably when compared to the previous reference period. Returns to work and unpaid benefits increased by 15.2% and 9.9%, respectively, to reach 9,469 returns to work and $16.7 million in unpaid benefits in 2003/04. Increases in these indicators have been noted in the last four editions of this report and have been linked to improved understanding of programming and service delivery in HRSDC and Aboriginal organizations. Better data capture has also contributed to these results.

Returns to work and unpaid benefits for all EBSM clients (AHRDS and non-AHRDS) were 227,366 and $852.8 million, respectively.[15]

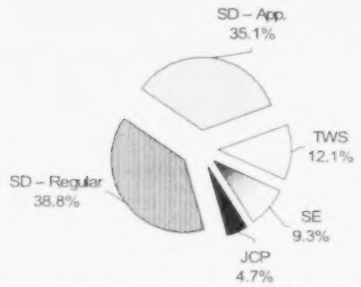
[14] "Other" includes the EBSMs listed in Annex 3.3.

[15] Some returns to work and unpaid benefits can be associated with both AHRDS and non-AHRDS (regular) programming. To avoid double counting, the roll-up of EBSM results includes only one result per client. As such, results for EBSM Regular and AHRDS, noted earlier, cannot be added together to arrive at the total quoted here.

2. *Returns to Work by Intervention*

Similar to 2002/03, data for 2003/04 indicate that approximately 73% of the EBSM clients who returned to work participated in only one intervention. To address those instances where more than one intervention was utilized (27%), a hierarchy of results was necessary to associate one result with one intervention. Results have been attached to the last intervention in which an individual participated. However, in those instances where a service intervention, such as EAS, followed a benefit, such as SD, the result would be attributed to the benefit intervention only.

Chart 4: Employment Benefit Interventions* Distribution



* SD – App.: Skills Development – Apprentices; TWS: Targeted Wage Subsidies; SE: Self-Employment; JCP: Job Creation Partnerships; SD – Regular: Skills Development – Regular.

The linking of returns to work to interventions provides a more complete picture of the results data but cannot be used to evaluate effectiveness. Further, as the interventions associated with these results include new starts from previous years, it is not possible, at present, to determine an employment ratio for benefits and services by using the intervention data presented in this report. As such, comparisons between benefits and services are not recommended.

During 2003/04, 42.9% of returns to work were the result of benefit interventions while 57.1% resulted from services where clients were to a large extent job-ready (refer to Annex 3.15). This is similar to data for 2002/03, when benefits accounted for 45.3% of returns to work and services accounted for 54.7%. The number of returns to work for services increased by 2.9%, while that for benefit interventions decreased by 6.6% over last year.

As was the case in the previous reference period, SD – Regular and Apprentices accounted for the largest proportion of returns to work following participation in a benefit (73.9%). As can be seen in Chart 4, SD – Regular alone accounted for 38.8% of returns to work for benefits, while SD – Apprentices accounted for 35.1%.

3. *More Information from Summative Evaluations*

In addition to the data reported in this chapter, more details on the impacts of EBSMs can be found in Chapter 5 (Section V). This information is based on preliminary findings of the Alberta, Ontario and Nunavut summative evaluations, as well as final results of the completed British Columbia, Quebec, and Newfoundland and Labrador studies. Other summative evaluations are currently underway and will be discussed in the *2005 Monitoring and Assessment Report.*

- 3 million initial and renewal Employment Insurance (EI) claims processed
- 65.8% of first benefit cheques paid within 28 days of the start of the claim
- 1.2 million claimants elected to file their applications via Appli-web (an Internet application service), of whom 48% did so from within a Human Resources and Skills Development Canada (HRSDC) office and 52% did so externally
- 132,000 Records of Employment (ROEs) were produced using ROE Web (a Web-based reporting system for filing ROEs) and 662 employers registered as ROE Web users
- 97.5% of claimants used the electronic reporting services—Teledec (an automated telephone reporting service) and Interdec (a Web-based bi-weekly reporting tool piloted in September 2003 and fully implemented by February 2004)—to complete their reports
- 22.3 million reports were completed via Teledec and Interdec
- 78.8% of claimants chose to receive their payments by Direct Deposit
- Insurance Telemessage, an automated information service, answered 8.6 million inquiries for clients, or 61%, who were able to self-serve
- EI Call Centre employees responded to approximately 6 million inquiries and transactions
- 94.5% of all claims were paid accurately
- 84.6% of all appeals to the Board of Referees were scheduled to be heard within 30 days of receipt of the appeal letter
- The EI Program was delivered by 8,170 dedicated employees in 320 points of service and 11 call centres across Canada

Context

Considerable progress was made in 2003/04 to improve and modernize EI service delivery and the quality of service to Canadians. This chapter provides an update on these automation and service improvements.

The year was also notable for a series of unforeseen events across Canada, such as Severe acute respiratory syndrome (SARS), bovine spongiform encephalopathy (BSE, or mad cow disease), the Ontario power outage, Hurricane Juan in Nova Scotia and Prince Edward Island, and the British Columbia forest fires and floods, the combination of which presented significant challenges to the EI program. The responsiveness of the EI program was demonstrated in the way in which those challenges were addressed and this is set out in section 2 (Claims Processing).

In addition, the Auditor General of Canada's 2003 report, *Measuring and Reporting the Performance of the Employment Insurance Income Benefits Program*, tabled on February 10, 2004, focused on how program performance is measured and reported from the dual perspectives of service to Canadians and effectiveness. The report also included a number of recommendations. The actions that were taken to address the recommendations for program administration are outlined in sections 2 (Performance Measures), 5, 6, 7, 10, 11 and 12.

I. IMPROVEMENTS IN SERVICE DELIVERY

1. Modernization of Service Delivery

A multi-year initiative is underway, designed to ensure that policies, programs and services are developed and provided to Canadians in a more responsive, accessible and efficient manner, as noted in our *Departmental Performance Report 2003–2004*. This will transform our services to make them more client-centred and accessible from multiple channels, including Internet, telephone, in-person and mail, based on the preferences of our clients.

From a service delivery perspective, this means introducing an integrated approach that responds to the needs of Canadians.

In addition, each interaction with citizens will be used as an opportunity to better understand and better serve them, while respecting privacy and security. The objective is to enhance client satisfaction and improve policy and program outcomes simultaneously.

2. EI Services to Individuals

The service delivery objective is to enhance access by Canadians to all EI programs by expanding on-line services, such as automated systems for EI claims, calculation, processing and administration. Increased electronic service delivery and the streamlining of processing will enable more efficient service and faster payments to Canadians, while generating savings by reducing processing costs.

A promotional strategy and tools for EI's electronic services are currently under development. The objective of the strategy is to use an integrated approach to raise awareness, increase the level of confidence and provide support to clients in the use of electronic services.

The aim of the EI My Account initiative is to provide clients with services in an integrated multi-channel environment by giving them information about their EI claim via the Web. In addition, it will allow clients to amend some information. Providing on-line access to individual client account information will respond to client demand for more on-line services.

The HRSDC/EI portal will be linked to the Government of Canada My Account portal currently under development on the Canada site. The EI My Account pilot will be conducted in April 2005 with national implementation expected in 2005/06.

While electronic services are promoted, individuals also continue to be offered their choice of other service channels, such as service in-person, or by telephone or mail. They are supported in their transition to using electronic services.

Information and Inquiries

EI service offerings within HRSDC continue to be developed and new services implemented to provide EI clients with information relevant to their individual needs and circumstances through a variety of service channels, including the Internet, telephone, in-person and mail.

Through EI call centres, claimants can renew their claims and get decisions. For complex inquiries, they have access to expert service at a Human Resources Centre of Canada (HRCC). Payment details and answers to general inquiries are provided using Insurance Telemessage, an automated information service that continues to be enhanced.

Steps are also being taken to harmonize services offered. Through Call Centre Harmonization (CCH)—one of the four main initiatives under the Government of Canada's Modernizing Service for Canadians agenda—call centres supporting the EI program, Income Security Programs (ISP) and the Canada Student Loans Program (CSLP) are now managed as one integrated, national network. This will facilitate the standardization and harmonization of operational processes and procedures for responding to client enquires, via the telephone, across the country.

Answers to general inquiries are also available via e-mail. In 2003/04 a total of 29,000 general non-EI claim-specific enquiries were responded to in this manner, an increase of 26% in comparison with the same period last year.

Along with e-mail communication, the EI Internet site has seen its number of visitors triple during the past year, to 6.7 million in 2003/04 compared to 2.3 million in 2002/03. The navigation and the content of the entire EI

Internet site has been modified to better address clients' comments.

In tandem with the suite of electronic service offerings, the role of HRCC employees has also evolved to include the promotion and dissemination of information on those services. In addition, staff support clients during the transition to the new products by explaining how they work and helping them take advantage of those services.

An array of informative publications and in-person service is available at each of our 320 points of service. Where expert information is required for large groups of people, public liaison officers (PLOs) are there to help. When required, HRSDC representatives give group information sessions at a convenient location. Employers, unions and interest groups have made good use of these services, resulting in fewer delays and improved quality of service.

To support ongoing improvement, communication products and forms are continually being adapted to support clients in the use of electronic services and expanded service delivery options. All communications products are provided in both official languages. Clients who are not familiar with electronic services receive in-person service and support suited to their needs.

Application for Benefits

EI Appli-Web was launched nationally in April 2002 to allow claimants to apply for benefits via the Internet. In 2004, Appli-Web won the gold medal from the Government Technology Exhibition and Conference (GTEC). The take-up rate for Appli-Web increased from 17% in the first year to 67% of all initial claims received in the second year, evidence that this application is appreciated by claimants.

In 2003/04, in-person clients began applying over the Internet in HRSDC offices, a service that had already been available to clients who filed on-line from their homes. The integration of the Internet EI application with other systems ensures that, while more time is dedicated to completing each session, a more complete application is generated from the on-line process. The result is faster service, reduced wait times, and fewer errors and delays. Roughly 80% of kiosks were transformed in each region. This change supported the increase in take up of Appli-Web.

During 2003/04, Appli-Web converted to a new technology. This included a temporary password feature to allow clients who lost their Appli-Web application, as result of an interruption or loss of connectivity, to recover and complete their application within 24 hours. This new feature improved service by reducing clients' frustration in those situations.

The Interactive Fact Finding System (IFFS) is a "virtual interview" process to obtain information from claimants on various issues related to their claims, such as the reasons for leaving their employment. IFFS has been enhanced. Making IFFS available to claimants via the Internet eliminates the need to complete annexes and to contact the claimants again, thus streamlining claims processing.

IFFS now includes a questionnaire for teachers. In 2003/04, HRSDC entered into discussions with the Canadian Teachers' Federation (CTF) with the goal of standardizing the manner by which facts were collected when a teacher applied for benefits. The CTF was of the opinion that the fact-finding process for teachers varied from one area to another.

CTF was given a demonstration of IFFS so that it could appreciate the possibilities of this new means of gathering facts. It was then decided that an IFFS domain would be developed to ensure standardization in fact finding to support consistent decisions. A workshop was

held with regional representatives, who developed a set of questions that met national policy. Finally, a second workshop was held to validate the results before implementation.

When compassionate care benefits were introduced, Appli-Web was updated to include this new type of benefit. As well, work is underway to make it possible for doctors to complete and send on-line medical certificates (Medical Certificates On-Line) to support compassionate care benefit applications.

Enhancements to Appli-Web that include more detailed questions were developed to assist with the automation of claims processing. Details are provided in the Claims Processing section.

Bi-Weekly Reporting and Payment

While receiving EI benefits, most claimants are required to report on a bi-weekly basis regarding earnings and the state of their unemployment. Recipients of maternity, parental and compassionate care benefits are not required to report on a bi-weekly basis unless any circumstances occur that may affect their entitlement to benefits.

HRSDC encourages the use of its electronic reporting services, Teledec and Interdec. Teledec is a toll-free automated telephone reporting service, to which enhancements have been made. Interdec, a Web-based reporting service, was launched in Manitoba in September 2003 and rolled out across Canada by February 2004. In all cases, if reporting via these methods cannot be completed, there are other options available to clients.

When combined with Direct Deposit, these services provide faster and more reliable payment for clients compared to the traditional paper processes. They also reduce printing and mailing expenses, allowing for a more efficient and effective reporting process. The number of payments made using Direct Deposit increased from 19 million to approximately 19.7 million.

Claims Processing

Program operations are continually adjusted in response to fluctuations in the workload that occur due to the seasonality of employment and to clients' circumstances, to ensure that claims are processed quickly and the right information is given to provide resolution at first contact. Every effort is made to keep pace with demand.

In 2003/04, HRSDC also responded to significant unforeseen circumstances across Canada, such as severe acute respiratory syndrome (SARS) and bovine spongiform encephalopathy (BSE), the Ontario power outage, Hurricane Juan in Nova Scotia and Prince Edward Island, and the British Columbia forest fires and floods.

- In support of a government-wide response to assist people quarantined due to SARS, the waiting period and requirement for a medical certificate on sickness claims were waived. This measure was taken so that persons who were quarantined would receive an income and would not have to choose between respecting the quarantine by staying home from work or risking the spread of an infectious disease. Due to the urgent nature of the situation, key players in the federal government were able to ensure that the new regulation came into force within a few weeks, compared to the normal six– to nine-month processing period, in order to provide maximum assistance to those in quarantine. In all, 771 SARS-related claims were expedited.
- During the Ontario power outage in August 2003, HRSDC continued to pay clients and was able to direct client calls to call centres in other regions, thus providing uninterrupted service to Canadians.

- In response to the economic downturn associated with BSE, special toll-free telephone lines were made available to clients and approximately 5,000 additional claims were processed.
- To ensure service standards for claims processing, EI claims were transferred among regions for improved processing times.

In addition, HRSDC is working towards electronic filing. The objective of the paperless processing initiative is to process all Appli-Web EI claims without printing the application. To prepare employees to move to the paperless process, the following steps were taken.

- Discussions were held with staff and management.
- A pilot project was established in each region.
- Best practices were shared with all regions.
- Training was provided to employees.
- Employees were provided with tools describing the new process step by step.
- Tools were made available on the EI intranet site.
- A list of local, regional and national experts was provided to employees.

Automated Claims Processing (ACP) evolved from the Government On-Line (GOL) initiatives (Appli-Web and ROE Web). It is a major component of HRSDC's multi-year Modernizing Service for Canadians plan to develop more efficient, responsive and multi-channel integrated client service for Canadians. The ACP project will span at least three years and will be deployed over multiple incremental phases.

The first component, automated renewal claims, was piloted in Newfoundland and Labrador, Nova Scotia, New Brunswick and Prince Edward Island and ran from December 12, 2003, to March 26, 2004. The concept proved to be viable. During this period, 580 claims were renewed through this automated process (316 were received via remote sites and 264 via Citizen Access Web Stations). These renewal claims are monitored on an ongoing basis to determine future enhancements.

Performance Measures

Having the right performance measures in place is an important part of the EI service delivery framework.

In 2003/04 one of the key performance indicators for EI was the percentage of initial and renewal claims for which a payment is made or a decision given to the claimant within 28 days of the start of the claim. While this indicator provided important information on payment of benefits from the date of the client's entitlement to benefits, the measure was not inclusive of all EI claims. For example, clients who applied after their entitlement date were excluded from the performance measurement calculation. More comprehensive information is available through HRSDC's Departmental Performance Report.

In response to the Auditor General's observations (2003) that the key performance indicators be more inclusive of all EI claims, two new indicators were introduced, effective April 2004.

- The key performance indicator "Speed of Decision" has an objective that 85% of all claims (initial, renewals and revised) will be finalized within 21 days of the date of filing. This indicator measures 100% of EI claims received.
- The objective for the "Speed of Payment" indicator is to have 80% of claims (initial

and renewal), for which a payment or notification of non-payment is issued to the claimant, completed within 28 days of the date the client files the application for benefit. This measures 90% of initial and renewal claims.

These key performance indicators are more inclusive and a better indicator of speed of payment to clients.

3. EI Services to Employers

To ensure that EI benefits are paid in a timely and accurate manner, HRSDC is working with employers, payroll service providers and payroll software vendors to provide for electronic filing of Records of Employment (ROEs) and payroll information. ROE Web, a Web-based reporting system, facilitates business-to-government transactions over the Internet. The system permits the acceptance of secure Web-based transmissions of ROE data from employers, using public key infrastructure (PKI) technology that provides authentication, encryption and digital signature on the transactions.

As a pilot initiative, ROE Web demonstrated immediate benefits. It is quick to learn and easy to use. ROE Web eliminates the three-part ROE paper form (a source of employer dissatisfaction) and associated storage and retrieval costs. ROE Web also reduces the data entry workload and improves the quality of ROE information through built-in edits that identify errors before the ROE is sent to HRSDC.

Participating employers indicated that with ROE Web they would spend 50% less time handling and preparing ROEs. This includes follow-up calls to employers from EI staff, concerning as many as 40% of the ROEs used to support applications for EI benefits. The reduction of such inquiries has the potential to provide significant savings to businesses and HRSDC. The improvement in timeliness and quality of the ROEs will also be of benefit to claimants.

By the end of 2003/04, some 662 businesses were using ROE Web and had produced 132,000 ROEs electronically. Feedback from these businesses has been positive and indicates that tangible benefits accrued and outweighed any costs of support on their local networks.

In preparation for national implementation of ROE Web in the 2003/04 fiscal year, HRSDC participated in the development of the Government of Canada's secure channel initiative as it relates to the business community.

In 2004/05, the marketing of ROE Web to businesses will continue with a focus on employers issuing large volumes of ROEs, school boards and payroll service providers. The target for 2004/05 is to register enough employers so that 65% of the total ROEs produced in a fiscal year would be filed electronically. Employers are expected to produce approximately 8 million ROEs in 2004/05.

4. Premium Reduction Program

The Premium Reduction Program was introduced through legislation in 1971 when sickness benefits were introduced for unemployment resulting from illness, injury, disability and pregnancy. Many employers had similar sickness and disability benefit coverage for employees under group plans and because those plans would yield savings to the program, it was decided to provide a means of returning these savings to employers and their employees.

EI premium reductions are granted because private wage-loss replacement plans, also known as disability income insurance, substitute for EI sickness benefits. Accordingly, when replacement plans qualify, employers' and employees' premiums are reduced. The reductions are set to

match the EI savings for sickness benefits, determined through actuarial estimates, approved each year by the EI Commission.

EI premium reductions are shared 5/12 with employees in cash or in kind based on the EI premium rate. Over 40% of the insured population or about 6 million workers are covered under the EI Premium Reduction Program.

5. *Appeals of Employment Insurance Decisions*

The EI appeal process provides claimants and employers with a means to challenge, before an independent, external authority, an administrative decision that they believe was made in error or with which they are dissatisfied. There are three levels of appeal, namely, a Board of Referees, an Umpire and, finally, the Federal Court.

A Board of Referees is an independent, impartial tribunal made up of three persons. The panel consists of a chairperson appointed by the Governor in Council, a member appointed by the Commissioner for Employers, and a member appointed by the Commissioner for Workers. There are approximately 1,000 Board of Referees members who hear appeals in 83 centres across Canada.

In 2003/04, Boards of Referees heard 29,485 appeals (down from 33,087 the previous year), the equivalent of approximately 1.0% of all new and renewal claims. Approximately 25% of the cases heard by the Boards resulted in a reversal of HRSDC's decision. In 2003/04, 84.6% of the appeals received were scheduled to be heard within 30 days of receipt.

Decisions of a Board of Referees can be appealed by claimants, employers or the EI Commission to the Umpire, who is an independent, administrative tribunal sitting alone under the supervision of the Chief Justice of the Federal Court of Canada. There are 20 to 40 judges from the Federal Court or retired provincial superior court judges who sit as Umpires. Cases are heard in courtrooms across Canada.

In 2003/04, the Umpires heard 3,117 appeals, 5 fewer than the previous year. The majority of these appeals (80%, down from 84%) were lodged by clients. Approximately 20% of the decisions rendered by the Umpires were favourable to the client, compared to 19% the previous year.

In 2004, in response to a concern expressed by the Auditor General's report, a new key performance measure was introduced to ensure that client Umpire appeal files were prepared by HRSDC and received by the Office of the Umpire within 60 days of receipt of the appeal. In the fourth quarter of 2003/04, 97.4% of the files were received by the Umpire within 60 days of receipt, compared to 79.1% in 2002/03.

A party may seek judicial review of an Umpire's decision with the Federal Court, Appeals Division. In 2003/04, there were 161 decisions (62 more than the previous year) rendered by the Federal Court on cases related to EI benefits. Approximately 16% of the decisions rendered by the Federal Court were favourable to the client.

In 2003/04, HRSDC continued to promote the Serving Employment Insurance Appellants Web site by including the Internet address on all decision letters sent to clients. Board of Referees members and advocate groups have been included in discussions to improve and enhance the Web site to help ensure that it meets the needs of our clients. Work is continuing to enhance the Web site to enable clients to file appeals electronically via the Internet.

The National Advisory Group continued its work on the development of a new training curriculum. This will help to ensure that Boards of Referees continue to operate as independent and impartial tribunals with the skills necessary to provide clients with a high quality of service.

In July 2003, a new comprehensive appeal review process was implemented to improve the quality of Commission decisions and submissions to Boards of Referees. Standardized tools were developed as part of the national automated appeals management system to ensure consistent quality review of appealed decisions and appeal submissions. Work is underway to develop a new automated quality control process for appeals proceeding to an Umpire.

II. QUALITY

6. Quality and Accuracy

EI accuracy of benefit payment is measured by the results of the Comprehensive Tracking System (CTS). Traditionally, accuracy declines after major reform. Then, as staff, employers and clients absorb the changes, accuracy levels usually stabilize and return to normal. Historically, the accuracy rate was about 96%. After the 1996/97 reform of the *Employment Insurance Act*, the CTS accuracy rate decreased to levels of 93%, creating new challenges.

From March 2001 to March 2003, accuracy improved from 93.5% to 95.5%. For 2003/04, we achieved an accuracy rate of 94.5%, which was 0.5% below the 95% objective. Analysis of the decrease indicates it was primarily due to an increase in claimant errors. As a result, we are actively engaged in examining the reasons for the increase as well as the way in which we define and report errors. We continue to better educate claimants on the need to report earnings accurately and to heighten employers' awareness of the necessity to provide accurate information on Records of Employment. We want to ensure the validity of our reports and their relevance to the way in which we do business.

The Auditor General's report (November 2003) identified a gap in the accuracy rate as a result of inconsistencies related to EI claims processing. Steps have been taken to continuously improve the accuracy, for example, by analyzing and aligning processing practices to ensure that they are standardized and controlled.

Steps were also taken to identify and address the causes of the regional differences in performance to which the Auditor General's report also referred.

HRSDC has implemented a new operational indicator to measure the percentage of initial claims that are monitored and are accurate. This will measure quality results at the regional and national levels, and support achievement of consistency among regions.

The Insurance Quality Management Initiative, which was introduced in 2000, continues to aim at increasing client satisfaction by developing and implementing a quality-focused, client-centred approach, and by exercising stronger stewardship of the EI fund by improving the quality of decisions and increasing the accuracy of benefit payments. Quality results have climbed from 64% to 74%.

In 2004/05, quality results are expected to continue to improve with the implementation of a Quality Assurance Plan that encompasses visits to the regions and close communication with regional and local quality representatives with respect to performance and results achieved. Emphasis has been placed on continuous follow-up of results and promotion of the impact of lack of quality.

Additionally, a standardized quality assurance program has been developed as part of the Call Centre Harmonization initiative. Implementation of a new National Quality Assurance Program throughout the 23 call centres supporting the EI Program, Income Security Program and Canada Student Loans Program is scheduled for January 2005.

7. Client Satisfaction

In 2000, the Government of Canada made a commitment to increase client satisfaction with its services in a significant and quantifiable way. The Service Improvement Initiative, approved by Treasury Board Secretariat, is continuing and the objective of achieving a 10% increase in Canadians' level of satisfaction with the delivery of major government services by 2005 is being maintained.

Client satisfaction with the EI program was measured through a client satisfaction survey in 2001. The results were extremely positive: 77% of surveyed EI clients were satisfied or very satisfied with the overall quality of service they received. Even with these positive results, HRSDC continues to look ahead for means to improve client satisfaction.

In 2003/04 numerous initiatives that could help achieve the Service Improvement Initiative target of 10% were implemented.

- **Calls on decisions**: This service offering entails calling clients to inform them of a negative decision and to explain it. This new client-focused approach answers questions in terms of negative decisions and the grounds on which they are based. It also provides an opportunity for the claimant to provide additional information.
- **National policy on levels of adjudication**: Service delivery representatives were given the authority to adjudicate contentious issues that required the strict application of legislation based on factual information. This provides front-line staff with the capacity to finalize more claims at the first point of contact for the client.
- **Establishment of a new operational quality target of 80%**: This target measures progress in meeting quality objectives along with the implementation of a National Quality Assurance Plan over the next three years. It is aimed at identifying areas for improvement and sharing best practices to enhance client satisfaction.
- **Teledec review to reduce the number of calls requiring assistance (trip downs)**: The review of Teledec (an automated telephone reporting system) resulted in a reduction of 21% in calls requiring assistance.
- **Telemessage redesign**: The Telemessage (messages on Teledec) menu structure has been streamlined and simplified to increase clients' access to information.

As part of the Government On-Line Initiative, EI is improving service by putting in place a suite of electronic services and opening up new Web-based service channels:

- Appli-Web,
- ROE Web,
- Interdec (client surveys indicate that 97% of clients prefer Internet reporting over telephone reporting),
- Automated Claims Processing (ACP) and
- The Interactive Fact Finding System (IFFS).

These channels will improve service to Canadians by providing greater and more immediate access to EI programs; streamlining the claim process; reducing the paper burden; and improving quality and providing

resolution, where possible, in a timely and accurate manner at first contact.

8. *Learning Organization*

HRSDC's goal of creating a learning organization has been given a strong boost through the implementation of the national training policy. This policy has established the framework that will help to support the Insurance program within the context of the corporate service delivery policy. A national training strategy and calendar were also developed to further support the Insurance program.

Staff in the field (such as front-line staff, and staff at call centres and processing centres) must be in a position to maintain and continually improve service to Canadians. To achieve this, HRSDC ensures that its employees are up to date on the EI program. In order to deliver on this priority and meet the training needs of HRSDC staff, 16 training products, in various methodologies, were updated and/or developed this year. Included in the updates and development of these products were the various transformation issues (i.e., Paperless Processing, ACP, Appli-Web, and ROE Web). These products cover the core curriculum training that is required to respond to inquiries and process claims for EI benefits.

During the first quarter of 2003/04, an e-learning pilot was delivered, hosted on the HRDC Learning Campus. This pilot covered four adjudication topics. Another session is scheduled for the first quarter of 2004/05. In addition, the newly developed Insurance Program Advisor training course was piloted, with national delivery expected to be completed by the end of 2004/05.

9. *Insurability*

Under the *Employment Insurance Act*, the Minister of National Revenue has the responsibility for determining when an individual is employed in insurable employment, which is the first requirement to be entitled to EI benefits. The total number of insurability ruling requests processed by the Canada Revenue Agency (CRA) in 2003/04 was 51,730. Of this total, HRSDC requested 23,178 rulings (45% of the total requests). Direct requests from the public accounted for 16,087 (31% of all requests). The remaining requests were from CRA's own internal programs: 6,408 requests (12%) from the Personal Insurable Earnings Review program, 961 (2%) from the Employer Compliance Audit program and 5,096 (10%) from the Trust Account Examiner/Senior Trust Examiner program.

The number of rulings requested by HRSDC has declined from 24,591 in 2002/03 to 23,178 in 2003/04. This is part of a downward trend attributed to continued application in our HRCCs of a pre-screening process to deal with arm's-length cases, which make up a large portion of HRSDC's ruling requests.

Under the *Employment Insurance Act*, employment may be excluded in non-arm's-length relationships, such as where a person simulates an employment situation with a parent, close friend or partner solely to have insurable employment. The pre-screening process insured that only valid ruling requests dealing with arm's-length cases were sent to CRA. This process has resulted in claimants receiving their EI benefit much sooner than if an insurability ruling had to be obtained from CRA.

CRA has additional programs that also result in requests for insurability rulings indirectly. The Employer Compliance Audit program and the Trust Account Examiner/Senior Trust Examiner program are utilized by CRA to identify those employers who pose the greatest risk in terms of non-compliance and lost revenues with respect to the *Employment*

Insurance Act and the *Income Tax Act*. These programs help ensure that those employers who should be participating in the EI program fulfill their responsibilities under the program and that those workers who should have access to the EI program are in fact participants in the program.

Employer assessment is the tool used by CRA to support employer participation in the EI program. The assessment program is CRA's method of collecting EI premiums from employers who may not be meeting their responsibilities under the *Employment Insurance Act*. Assessments are raised as a result of audits carried out by CRA; visits by trust examiners to an employer as a result of a third party complaint; the result of a ruling provided directly to the public; or a ruling raised by HRSDC on a claim for benefit. If the employment is ruled to be insurable, then CRA will send a trust examiner to the employer's premises to determine how many employees are employed in insurable employment and to ensure that the employer meets its responsibilities under the Act.

III. INVESTIGATION AND CONTROL (I&C)

10. Savings and Savings Calculation

HRSDC balances its approach between detection and prevention activities. While detection activities such as our Computer Post Audit (CPA), Report on Hirings (ROH) and Automated Earnings Reporting System (AERS) are important, education and prevention activities such as Group Information Sessions have been increased, resulting in less misuse and lower total savings.

The focus of the I&C program has moved towards prevention and effective risk management. As such, we inform claimants, employers and the general public about EI requirements and the consequences of abusing the EI system, such as penalties or prosecutions, through activities such as information sessions, meetings with employers and information material, such as brochures and our Web site.

The Auditor General reported concerns with I&C's method of calculating savings, indicating that in some instances the savings were over-estimated. In response, Actuarial Services has confirmed that the actuarial tables used are valid in calculating indirect savings.

11. Quality Initiatives

The Auditor General noted that the quality of investigation and control activities was inconsistent in different regions, making it difficult to compare the quality among the regions.

To address this issue, in 2003/04 I&C established a quality monitoring function within the directorate. Operational monitoring visits to assist regions in accomplishing their goals and to improve operational performance were reintroduced, and were conducted in Newfoundland and British Columbia. Furthermore, development of a quality monitoring training course commenced.

I&C also began developing national templates for performance and learning agreements, allowing for a consistent approach to performance management. An update of the I&C Manual Chapter 55, Standard Practices, was undertaken with the goal of improving I&C practices.

The various initiatives outlined above are well underway. The quality function has been established in I&C at NHQ with two dedicated resources, and a decision has been made to conduct operational monitoring in three regions— Ontario, Saskatchewan and Nova Scotia— in 2004/05.

12. Risk Management

In her report, the Auditor General also indicated that HRSDC should base its objectives for savings from investigation and control on an assessment of compliance risks and on its expected results for detecting and deterring non-compliance with the *Employment Insurance Act* and Regulations.

To address that concern, in 2003/04 I&C began a risk-based approach to investigations to improve the overall integrity of the I&C program. A team was established to study both internal and external risks to the EI program. Development of an action plan on the risk management process also commenced. As part of this action plan, the risk management team has developed a training package for staff. Mitigating strategies are being developed, such as automated checks of claimant data against the Social Insurance Register.

The New Brunswick region has been named as the first pilot site for training, scheduled for September 2004. Participants will include regional staff as well as HRCC representatives identified as risk representatives. The objectives of this training are to train the participants on internal and external risk assessment and management, to develop mitigating strategies to address the identified risks and to promote an understanding of risk so that these participants can provide this training to all local staff.

Upon completion, the team will evaluate this pilot and make any necessary changes. The next phase of the plan is to implement this training in all regions. In addition to the pilot, the team has established linkages with the Integrity Directorate and is reviewing major investigations and sensitive cases to identify trends and emerging risks.

Conclusion

In summary, 2003/04 has been an important year in changing the way we do business. The roll out of a suite of electronic initiatives and services in an integrated and citizen–centred approach has been instrumental in the improvement of our service to our clients—claimants and employers. The year was also significant in that the EI program was able to meet the challenges posed by emergency events across Canada by responding to the varied needs of our clients and providing uninterrupted service in a timely manner.

Under section 3 of the *Employment Insurance Act*, the Employment Insurance (EI) Commission is required to assess how the economy, communities and individuals are adjusting to the changes made under EI reform. In addition, the Commission is required to monitor and assess the effectiveness of the benefits and other assistance provided by the program, including how it is utilized, the effect of EI on the obligation of claimants to seek employment and the efforts of employers to maintain a stable work force.

This chapter provides an analysis of the impact and effectiveness of EI on the economy, regions and communities, and individual workers, using findings from research studies and evaluations of the EI program. The analysis also examines the EI program from the perspective of encouraging work force attachment, use of Employment Benefits and Support Measures (EBSMs), and employers' management of their work force. This chapter includes some information on the savings realized from the EI reform of 1996/97, and concludes with a description of the framework for the ongoing summative evaluation of EI income benefits.

The main findings and methodologies of the evaluation studies referred to in this chapter are outlined in greater detail in Annex 5.

I. EI and the Economy

Three aspects of the impact and effectiveness of EI on the economy are examined: the stabilizing effect of the program on the economy (particularly on employment levels); the impact of EI on labour mobility; and the redistributive aspects of the program. Overall, findings indicate the EI program has a moderate stabilizing effect on the economy; EI does not appear to have an important impact on labour mobility; and the program has a net redistributive effect from high earners to those who earn less, and from areas of lower unemployment to areas of higher unemployment.

1. Economic Stabilization

The EI program provides an automatic countercyclical stimulus by providing temporary income support to unemployed workers. Three modelling firms were hired to measure the macroeconomic stabilization properties of the EI program on employment and Gross Domestic Product (GDP) and to evaluate how those properties have changed since EI reform, under three hypothetical economic shocks[1] for the period 2005 to 2009. The firms were Informetrica, Global Insight and the Institute for Policy Analysis (University of Toronto).[2]

Key results indicate that when an economic shock hits the economy, the EI program spares (on a five-year average basis) approximately 3.8% to 6.5% of the shock on employment. For example, were an economic shock to create a loss of 100,000 jobs per year on average, the EI program would help to save between 3,800 and 6,500 jobs. The stabilizing effect of EI on GDP is generally slightly lower, with a five-year average stabilization effect varying between 2.7% and 6.2%.

This estimated stabilization effect is lower than the results reported in the *2003 Monitoring and Assessment Report*, which ranged between 10% and 16% for EI. This discrepancy is mainly attributable to the difference in the nature of the shocks assessed and the methodologies used.

[1] The hypothetical scenarios the firms were tasked with modelling included a permanent 10% increase in the exchange rate; a replication of the 1990s recession (i.e., key variables are forced to follow growth paths observed between 1990 and 1994); and an "induced recession" scenario, under which government expenditures fall, interest rates rise and the GST increases from 7% to 9%.

[2] Forthcoming study – *The Role of Employment Insurance as a Built-in Stabilizer*, Labour Market Policy, HRSDC. Further information on the methodology is available in Annex 5.

2. *Labour Mobility*

Labour mobility facilitates a smooth and efficient labour market and a strong economy. Information from the EI administrative database has allowed the study of mobility from the perspective of the 14 representative communities that are tracked by the EI program.[3] The level of movement into and out of individual communities can serve as one indicator of whether labour is sufficiently mobile to ensure a smoothly operating labour market.

The updated study of mobility into and out of the 14 communities confirms there was a high degree of mobility, with as many as 30% of EI claimants changing communities from one claim to the next. Communities with higher rates of in-migration tended to also have higher rates of out-migration. The mobility of frequent claimants has followed a similar trend to that of other types of claimants, and, in general, communities in the Atlantic region had a far higher percentage of movement into and out of communities.

3. *Income Distribution*

The EI program also plays a redistributive role in the Canadian economy. Based on tax filer data, an examination of how EI affects the distribution of income and earnings found that the program resulted in a modest redistribution from high earners to lower earning individuals. In 2002, $4.9 billion more in benefits was collected by those in the bottom half of the distribution than was paid in contributions, including employer contributions. The lowest earnings "decile" (lowest 10% in the income distribution) received over 22% of all EI benefits paid, amounting to $2.3 billion more in benefits than was paid in premiums.[4] The reform of EI does not appear to have made incomes in Canada more equal than they were prior to reform, as no change has been noted over the 1996 to 2002 period. This is partly due to the reduction and freezing of the maximum insurable earnings, since this limits the contributions of high earners, relative to income. The study noted that the redistributive effect of the EI program is smaller than it was in the early 1990s, since the scope of the program was narrowed with EI reform. The study also noted some redistribution between provinces, and that the EI program effects a net redistribution from urban areas towards rural areas. These are preliminary results from a study that will be made publicly available once the analysis is finalized.

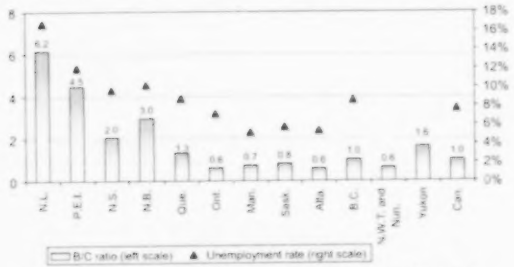
Another analysis based on income tax data for 2002[5] indicates that the EI program plays a role in redistributing income towards regions and industries experiencing below-average economic performance. This analysis is based on the ratio of benefits (regular and fishing) to contributions (the B/C ratio[6]). In a given region or industry, a B/C ratio higher than one indicates a net inflow of regular and fishing benefits relative to the total amount collected in premiums from employers and employees to fund these benefits. A B/C ratio below one implies the converse and indicates relatively positive economic conditions.

Based on these ratios, it can be shown that the program provides extra support to provinces and territories with relatively high unemployment rates. Provinces in Atlantic Canada, Yukon and Quebec had a B/C ratio

[3] Forthcoming study – *EI Reform and Community Mobility*, Audit and Evaluation Directorate, HRSDC.
[4] Forthcoming study – Ross Finnie and Ian Irvine, *The Income Redistribution Impact of Canada's Employment Insurance Program*.
[5] Based on T4 data. As premium payments are administered through the tax system, the most recent data available are for the 2002 taxation year.
[6] For ease of analysis, the B/C ratios have been adjusted so the national figure equals one. In the absence of this adjustment, the ratio for Canada would be lower than one, mostly because the numerator does not include all EI expenses. Province, territory and industry are determined by the location of the employer for premiums, and of the claimant for benefits.

higher than one in 2002 (refer to Chart 1 and Annex 2.16). Jurisdictions with a B/C ratio lower than one tended to have lower unemployment rates.

Chart 1:
Benefits to Contributions Ratio (Regular and Fishing Benefits), 2002



Source: Canada Revenue Agency, 2002 T4s with employment income; EI Administrative Data; Labour Force Survey, which does not cover the territories

Annex 2.16 also shows the extent to which income redistribution occurs between industries. Industries in which employment tends to be more seasonal than average are those that had a relatively high B/C ratio. For example, fishing and trapping (17.5), logging and forestry (5.4), construction (3.1) and agriculture (2.9) had a B/C ratio well above one in 2002. B/C ratios will continue to be monitored and assessed in future reports.

II. EI and Communities

The following section examines EI's impact on and responsiveness to 14 representative communities in 2003/04, a year of slower economic growth than 2002/03. The analysis begins with an examination of the responsiveness of EI to changes in local labour markets, followed by a summary of the impact of EI in the 14 communities and concludes with a comparative analysis of the impact of EI in urban and rural communities. Overall, the community analysis demonstrates the program adjusts to changes in each region's labour market conditions.

1. Responsiveness to the Local Labour Market

On a regional basis, the EI program automatically responds to labour market conditions by adjusting entrance requirements and the duration of entitlement to benefits, in line with significant changes in the unemployment rate in each of the 58 EI economic regions.[7]

In 2003/04, 21 economic regions experienced an increase in their unemployment rate. In 14 of them, the entrance requirement decreased and the entitlement duration was prolonged. In the other seven regions that experienced an increase in their unemployment rate, five were already at their minimum entrance requirement. The other two regions experienced an increase of less than 0.2 percentage points in their unemployment rate.

The regional unemployment rate fell in 32 economic regions during the reference period. The entrance requirement increased and the entitlement duration decreased in 23 of them. Of the other nine regions, two had an unemployment rate that was already below 6%, so the maximum entrance requirement already in place in 2002/03 remained unchanged. In three other regions, despite having declined, the unemployment rate remained above 13.1%, so that the minimum entrance requirements of the previous reporting period also remained unchanged. Finally, the other four regions experienced a decline of less than a third of a percentage point in their unemployment rate.

[7] The EI regional unemployment rates are extracted from the Labour Force Survey (LFS), with an adjustment made afterwards to include Indian reserves, which are not part of the survey, as per section 54(x) of the *Employment Insurance Act*. Please also note that the Northwest Territories, Nunavut and Yukon are excluded from the LFS.

Two regions did not experience any change to their unemployment rate and the three regions that cover the territories are not included in the Labour Force Survey (LFS). The territories are assigned a constant unemployment rate of 25% for the purpose of the EI program.

In 2003/04, 52 of the 58 regions experienced an increase in the level of regular and fishing benefits received. Twenty-nine of the 32 regions where the unemployment rate declined still saw an increase in their benefit level. An analysis of EI administrative data suggests this can be attributed to at least one of the following reasons: growth in wages, an increase in the number of claims and, to a lesser extent, an increase in the number of weeks with benefits.

2. Fourteen Communities

Fourteen representative communities were selected at the time of EI reform for use in monitoring the level and nature of adjustments to the new legislation at a local level[8] (refer to Annex 4 for individual community profiles). Five communities were selected to represent their economic regions in terms of average demographic, economic and labour force characteristics. The remaining nine were selected to provide an understanding of adjustment occurring in communities with special characteristics, such as high unemployment, a high proportion of seasonal workers, an urban or rural population base, a high female participation rate and the use of both official languages.

Analysis of the 14 communities again demonstrates the EI program adjusts to local labour markets and provides a level of benefits that is adequate despite divergent economic realities across the country. An analysis of EI administrative and income tax data demonstrates that communities located in economic regions with high unemployment rates tend to have a greater proportion of workers who collect EI benefits (refer to Table 1). This is the case particularly in Clarenville, Miramichi and Prince Edward Island. Conversely, communities located in regions with a lower unemployment rate, such as St. Boniface, Calgary Centre, Hamilton Mountain and Toronto Centre, tend to have a proportion of workers collecting EI benefits that is below the national average of 15.7%.

In addition, workers in communities located in regions with high unemployment rates face lower entrance requirements and longer entitlement periods, giving unemployed individuals more time to find suitable employment in weaker labour markets. As shown in Table 1, the proportion of entitlement used by claimants in the 14 communities in 2003/04 ranged from just over half (Yellowknife, Prince Albert) to almost three-quarters (Prince Edward Island). Claimants in the 14 communities used, on average, 64.4% of their maximum entitlement before returning to work.

It is also important to examine the degree to which EI responds to fluctuations in local labour market conditions. During the reference period, 3 of the 14 communities (Montréal Centre East, Repentigny and Miramichi) were located in economic regions that experienced an increase of half a percentage point or more in their unemployment rate compared to that of the previous reporting period. The EI program

[8] For more information on the community perspective exercise, see the *1999 Monitoring and Assessment Report*, Chapter 4. Please note that the 14 communities are Clarenville, Newfoundland and Labrador; Prince Edward Island; Truro, Nova Scotia; Miramichi, New Brunswick; Repentigny, Quebec; Montréal Centre East, Quebec; Toronto Centre, Ontario; Hamilton Mountain, Ontario; St. Boniface, Manitoba; Prince Albert, Saskatchewan; Calgary Centre, Alberta; Kelowna, British Columbia; Surrey, British Columbia; and Yellowknife, Northwest Territories.

responded with an increase of $19.5 million or 11.3% in regular and fishing benefits (refer to Table 2) in these communities. An analysis of EI administrative data suggests this phenomenon can be attributed to at least one of these reasons: the growth trend in wages, an increase in the number of claims and an increase in the number of weeks with benefits.

These reasons, or at least one of them, can also explain why of the eight communities located in economic regions that experienced a decrease in their unemployment rate, seven of them received more in regular and fishing benefits in 2003/04 than in the previous reference period.

Only two communities, Truro and St. Boniface, received less in regular and fishing benefits in 2003/04 than in 2002/03. In both cases, the unemployment rate of the economic region in which the communities are located was relatively stable, while the number of EI beneficiaries decreased. In total, the 14 communities together received $43.8 million more in regular and fishing benefits in 2003/04 than in the previous reference period.

In Yellowknife, an additional $1.7 million was paid in benefits compared to the previous reporting period, representing an increase of 44%.

Table 1
EI and the 14 Communities

Community	Average Unemp. Rate (%)	Average Entrance Requirement (Hours)	Average Entitlement (Weeks)	Entitlement Used (%)	Proportion of Workers* with EI Benefits in 2002 (%)	Total Regular and Fishing Benefits Paid ($)
ATLANTIC COMMUNITIES						
Clarenville	20.6	420	36.6	70.8	59.3	51,801,385
Prince Edward Island	11.1	508	31.2	72.6	38.0	146,075,179
Truro	9.9	545	33.2	62.0	22.6	22,676,431
Miramichi	17.1	420	38.8	65.6	40.4	37,154,898
QUEBEC COMMUNITIES						
Repentigny	9.7	551	33.5	57.7	20.2	100,569,449
Montréal Centre East	9.5	560	33.5	62.2	17.3	53,194,682
ONTARIO COMMUNITIES						
Toronto Centre	7.7	621	32.8	62.4	7.1	22,874,873
Hamilton Mountain	6.1	683	28.8	59.7	10.7	40,044,155
PRAIRIES AND NORTHERN COMMUNITIES						
St. Boniface	5.2	700	26.9	61.4	11.7	16,729,597
Prince Albert	14.1	420	39.2	53.4	18.5	25,926,247
Calgary Centre	5.4	700	28.8	65.2	9.4	30,061,344
Yellowknife**	25.0	420	42.7	50.1	11.1	5,478,406
BRITISH COLUMBIA COMMUNITIES						
Surrey	7.3	639	29.3	67.7	16.0	97,978,541
Kelowna	10.2	537	34.2	59.7	16.5	45,929,197

* Excludes workers with only self-employment income

** In Yellowknife, the actual unemployment rate is not calculated by Statistics Canada, as the territories are not included in the Labour Force Survey

3. Urban and Rural Communities

A recent study by Human Resources and Skills Development Canada (HRSDC)[9] examined, among other things, the variation in EI use by community size and the initial impact of the 1996 EI reforms. The study determined that EI is more important to rural and small urban communities and that EI use in rural areas rose relative to that of other areas over the 1990 to 2000 period. There was no substantial difference in the way EI reform initially affected communities of different sizes.

III. EI and Individuals

In 2003/04, the EI program assisted 1,973,000[10] individuals with temporary income support and nearly 668,000 with Employment Benefits and Support Measures (EBSMs).[11] The impact and effectiveness of EI from the individuals' perspective is assessed by examining both the accessibility and adequacy of the EI program.

Table 2
Response of the Program to Changes in the Unemployment Rate in the 14 Communities

Community	Variation of Unemp. Rates Between 2002/03 and 2003/04 (Percentage Points)	Variation in Average Entitlement Between 2002/03 and 2003/04 (Weeks)	Variation in Regular and Fishing Benefits Paid Between 2002/03 and 2003/04 (%)	Variation in Regular and Fishing Benefits Paid Between 2002/03 and 2003/04 ($)
ATLANTIC COMMUNITIES				
Clarenville	-0.8	-0.7	1.4	691,426
Prince Edward Island	-0.8	-1.5	3.1	4,374,466
Truro	0.1	0.2	-0.4	-98,518
Miramichi	0.5	0.2	2.8	1,029,013
QUEBEC COMMUNITIES				
Repentigny	1.0	2.1	10.0	9,179,842
Montréal Centre East	1.1	1.5	21.0	9,241,623
ONTARIO COMMUNITIES				
Toronto Centre	0.3	0.4	1.0	233,699
Hamilton Mountain	-0.6	-1.7	20.7	6,861,834
PRAIRIES AND NORTHERN COMMUNITIES				
St. Boniface	-0.1	0.3	-5.7	-1,011,422
Prince Albert	-0.1	-0.3	11.2	2,616,058
Calgary Centre	-0.6	-0.2	1.4	427,497
Yellowknife	0.0	0.6	43.8	1,669,670
BRITISH COLUMBIA COMMUNITIES				
Surrey	-0.5	-0.3	4.3	4,072,566
Kelowna	-0.3	-0.3	11.0	4,561,455

[9] Forthcoming study – *Community Size and the Variation in EI Use by Industry, Education Level and Family Composition*, Audit and Evaluation Directorate, HRSDC.

[10] This figure refers to total new EI claims established in 2003/04.

[11] Note that adding these numbers to determine the total number of individuals benefiting from the program would result in double counting, as most EBSM participants also collect Part I income benefits.

A. EI Coverage Measures

As mentioned in the *2003 Monitoring and Assessment Report*, an expert review of EI "coverage measures" was undertaken in preparation for the current report. Three research papers[12] on the topic were commissioned. These papers were also discussed by a roundtable panel of experts representing government, academia, organized labour and the private sector.

The expert papers and roundtable participants agreed each of the measures used in the *2003 Monitoring and Assessment Report* has value, but that no single measure should be used in isolation. Rather, a "cascading set" of measures was recommended to give Canadians a complete picture of the accessibility of the EI program.

The beneficiary to unemployed (B/U) ratio compares the number of regular EI beneficiaries to the number of unemployed. While Statistics Canada has outlined the limitations of the B/U ratio,[13] experts supported continued use and reporting of the measure. Moreover, it was recommended that reporting of the B/U ratio be expanded and refined to include a detailed decomposition of the measure, to contribute to a more complete portrait of EI accessibility.

Statistics Canada's Employment Insurance Coverage Survey (EICS) was found to be a useful source for deriving indicators of coverage, eligibility and recipiency of EI. Results from the EICS can also provide the recommended set of "cascading indicators" that expand and refine the B/U ratio, including breakdowns for various sub-groups of interest.

A measure that experts feel requires more careful explanation and contextualization is the one commissioned by HRSDC to the private sector that is based on a simulated layoff scenario, with data on employment and hours of work from Statistics Canada's Survey of Labour and Income Dynamics (SLID). The measure must be interpreted with care, since an average measure of access to benefits hides the reality that individuals at greater risk of becoming unemployed may be much less likely than average to have sufficient hours of work to qualify for benefits. Deeper exploration of eligibility among various sub-groups of the employed, especially those at higher risk of unemployment, was recommended.

Overall, the review of EI coverage measures was useful towards improving the understanding of existing measures and identifying new measures to provide a more comprehensive portrait of coverage, including for sub-groups of the population that face higher risk of job loss than others. These findings are reflected in this section and will be further built upon for the *2005 Monitoring and Assessment Report*.

B. Access to Benefits

1. Regular Benefits

It is worthwhile to review the steps used to determine eligibility for benefits: first, claimants need to prove that their employment was insured (in other words, they must have contributed to the program); second, individuals must be available for work and the

[12] Forthcoming papers – Stephen R.G. Jones, *Review of the Employment Insurance Coverage Measures*, October 2004; David Gray and Arthur Sweetman, *Review of Employment Insurance Coverage Measures*, November 2004, and Richard Shillington, *Measuring the Effectiveness of Employment Insurance*, Tristat Resources, October 2004, to be published in a single volume by HRSDC.

[13] Statistics Canada, 1999b, *Report on the Main Results of the Employment Insurance Coverage Survey, 1998*, Cat. No. 73F0008-XPE, July 1999, http://www.statcan.ca/english/freepub/73F0008XIE/73F0008XIE.pdf.

termination of employment must not have been for cause or due to a voluntary quit;[14] and finally, if individuals satisfy the two criteria above, then eligibility for benefits depends on hours worked in the last year (look-back period), with the minimum number of hours required depending on the regional unemployment rate. The hours required are higher for workers who have entered the labour market for the first time (new entrants) and those who have limited work experience in the last two years (re-entrants).

Unemployed Population

To calculate the B/U ratio each month, EI administrative data provide statistics on the total number of regular beneficiaries, while the number of unemployed is published monthly by Statistics Canada based on the Labour Force Survey (LFS).

Experts agree the B/U ratio has the advantage of simplicity and historical availability and provides a broad indicator of program coverage that can track changes over time. The B/U ratio provides an incomplete measure, since some individuals who are unemployed cannot be beneficiaries (since they have not contributed to the program) and some recipients of EI benefits are not counted among the unemployed (for instance, an individual who works while on claim, or receives EI benefits while not in the labour force). However, experts agreed that the B/U ratio is one of many useful measures of EI coverage.

The B/U ratio declined steadily in the 1990s, falling from a level of 83.7% in 1989 to 43.5% in 1997 (refer to Chart 2). Since 1997, the B/U ratio has been relatively stable (around 45%).

A study, prepared by the former Human Resources Development Canada (HRDC),[15] concluded that somewhat less than half of the decline in the B/U ratio between 1990 and 1997 can be attributed to changes in the program, while the rest of the decline was due to changes in the labour market.

Chart 2: Beneficiary to Unemployed (B/U) Ratio

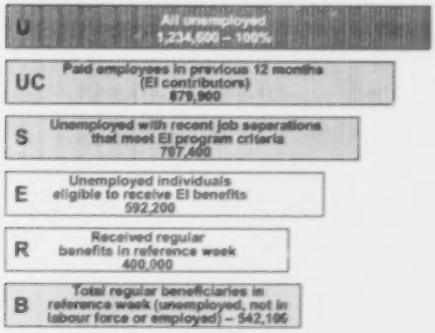
The Employment Insurance Coverage Survey (EICS), a quarterly supplement to the LFS, gathers much more information than other sources on who receives EI benefits, who does not, and the reasons why certain unemployed individuals may not receive EI. Thus, the EICS is a good source of information on trends over time for specific demographic groups.

Data from the EICS can be used to expand the B/U ratio and develop a cascading set of indicators to provide a more complete picture of access to EI. Chart 3 shows various data from the EICS for 2003 that can be used to create such a set of indicators.

[14] Section 29 of the *Employment Insurance Act* identifies 13 specific circumstances that constitute just cause for voluntarily leaving employment. Just cause for voluntarily leaving employment is not limited to only the situations currently defined in the Act. Jurisprudence has historically shown there to be 40 main reasons deemed just cause for voluntarily leaving employment. It is important to note that, within the terms of the Act, just cause for voluntarily leaving employment exists where, given all circumstances, the claimant had no reasonable alternative to leaving employment.

[15] *An Analysis of Employment Insurance Benefit Coverage*, Applied Research Branch, HRDC, October 1998.

Chart 3: B/U Ratio and EI Accessibility Measures from the EICS, 2003



The top bar, U, is the estimate of total unemployment, while the bottom bar is the total number of beneficiaries (regardless of labour force status). Dividing the number in the lowest rectangle (542,100) by the number in the top rectangle (1,234,600[15]) yields the familiar B/U ratio for 2003 (43.9%).

As mentioned, U includes some individuals who had not been contributors to the EI program in the previous 12 months (the self-employed and those with no work experience in the last 12 months). Excluding these yields UC, those who had been paid employees in the last 12 months. These represented 71.3% of all unemployed. The remaining 28.7% had not recently contributed to EI.

Roundtable participants proposed an alternative to the common B/U ratio that can also be derived from the EICS: the beneficiary to unemployed contributors ratio (B/UC), which compares the number of regular EI beneficiaries to the number of unemployed EI contributors. Dividing the number in the lowest rectangle (B, 542,100) by UC (879,900) yields the B/UC ratio for 2003 (61.6%).

The range of data available from the EICS makes many other measures possible. For instance, among unemployed EI contributors in 2003, 80.4% (S divided by UC) had a recent job separation that qualifies under the EI program (were laid off, quit with just cause and so on). The remaining 19.6% represents individuals who left their last job to go to school or for other reasons.

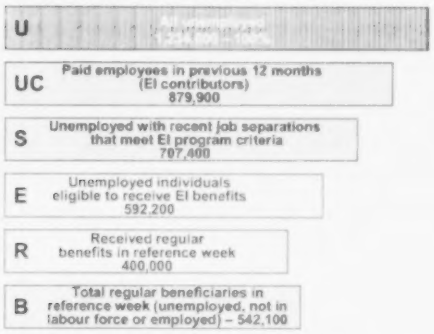
Among unemployed individuals who had a recent job separation that qualified under the EI program, 83.7% were eligible to receive EI benefits in 2003 (refer to Table 3). This result is obtained by comparing the number of unemployed individuals eligible to receive EI benefits (E, 592,200), to the number of unemployed contributors with recent job

Table 3
Eligibility Measures from the EICS

Eligibility Measures	2003
B/U ratio	43.9%
B/UC ratio	61.6%
Eligibility rate – unemployed with recent job separation that qualifies under EI	83.7%
...for unemployed youth	61.2%
...for unemployed adult women	83.9%
...for unemployed adult men	91.4%
...for those who had worked full-time	91.9%
...for those who had worked part-time	48.5%
...for immigrants	80.3%
...for recent immigrants	73.7%

[15] Total unemployed (1,234,600 in 2003) in the EICS is an annual estimate based on four survey months.

Chart 3: B/U Ratio and EI Accessibility Measures from the EICS, 2003


U
UC
Paid employees in previous 12 months (EI contributors) 879,900
S
Unemployed with recent job separations that meet EI program criteria 707,400
E
Unemployed individuals eligible to receive EI benefits 592,200
R
Received regular benefits in reference week 400,000
B
Total regular beneficiaries in reference week (unemployed, not in labour force or employed) – 542,100

The top bar, U, is the estimate of total unemployment, while the bottom bar is the total number of beneficiaries (regardless of labour force status). Dividing the number in the lowest rectangle (542,100) by the number in the top rectangle (1,234,600[16]) yields the familiar B/U ratio for 2003 (43.9%).

As mentioned, U includes some individuals who had not been contributors to the EI program in the previous 12 months (the self-employed and those with no work experience in the last 12 months). Excluding these yields UC, those who had been paid employees in the last 12 months. These represented 71.3% of all unemployed. The remaining 28.7% had not recently contributed to EI.

Roundtable participants proposed an alternative to the common B/U ratio that can also be derived from the EICS: the beneficiary to unemployed contributors ratio (B/UC), which compares the number of regular EI beneficiaries to the number of unemployed EI contributors. Dividing the number in the lowest rectangle (B, 542,100) by UC (879,900) yields the B/UC ratio for 2003 (61.6%).

The range of data available from the EICS makes many other measures possible. For instance, among unemployed EI contributors in 2003, 80.4% (S divided by UC) had a recent job separation that qualifies under the EI program (were laid off, quit with just cause and so on). The remaining 19.6% represents individuals who left their last job to go to school or for other reasons.

Among unemployed individuals who had a recent job separation that qualified under the EI program, 83.7% were eligible to receive EI benefits in 2003 (refer to Table 3). This result is obtained by comparing the number of unemployed individuals eligible to receive EI benefits (E, 592,200), to the number of unemployed contributors with recent job

Table 3
Eligibility Measures from the EICS

Eligibility Measures	2003
B/U ratio	43.9%
B/UC ratio	61.6%
Eligibility rate – unemployed with recent job separation that qualifies under EI	83.7%
...for unemployed youth	61.2%
...for unemployed adult women	83.9%
...for unemployed adult men	91.4%
...for those who had worked full-time	91.9%
...for those who had worked part-time	48.5%
...for immigrants	80.3%
...for recent immigrants	73.7%

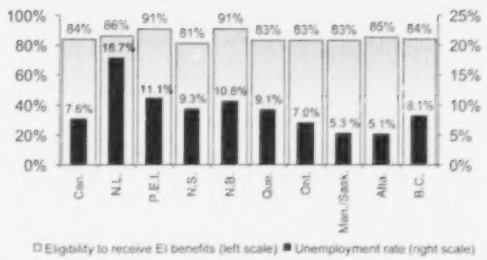
[16] Total unemployed (1,234,600 in 2003) in the EICS is an annual estimate based on four survey months.

separations that qualify under the EI program (S, 707,400). Like the B/U ratio, this proportion has been stable since 1997. The remaining 16.3% represents individuals who had a qualified job separation but had insufficient insurable hours to qualify for benefits (in other words, those who did not meet entrance requirements).

Further, results indicate that 91.9% of the unemployed who had worked full-time were eligible to collect EI in 2003, compared to 48.5% for part-time workers. Access for adult women decreased by 5.0 percentage points to 83.9% and access for adult men decreased by 0.3 percentage point to 91.4% between 2002 and 2003. The lower rate of eligibility for women largely reflects the fact that women are more likely to work part-time. Among women who worked full-time, 89.7% were eligible to collect EI benefits (compared to 91.8% of men working full-time), while among women working part-time, 63.1% were eligible (compared to 53.0% of men who worked part-time).

Despite significant variations in unemployment rates and local labour market conditions, eligibility to receive EI benefits among unemployed individuals who had a recent job separation that qualified under the EI program is relatively similar across provinces (refer to Chart 4). The EI program adjusts eligibility requirements and entitlement to reflect regional unemployment rates. It appears that individuals in higher unemployment rate regions are as likely to be eligible for EI benefits. A recent study, based on Records of Employment issued to employees, confirms the percentage of workers leaving their jobs with enough hours to qualify was fairly constant across differing unemployment rates.[17] In fact, in regions of high unemployment, the percentage of job leavers with enough hours to qualify was slightly higher than in regions of low unemployment.

Chart 4: Eligibility to Receive EI Benefits Among Unemployed with Qualified Separations, and Unemployment Rate, by Province (EICS), 2003



Employed Population

Access to EI benefits among paid employees was also examined via a private sector study commissioned by HRSDC based on a hypothetical layoff scenario and data from the Survey of Labour and Income Dynamics (SLID). This showed that 88.4% of paid employees could have potentially qualified for benefits had they been laid off in December 2002. As mentioned above, the hypothetical scenario on which this average measure is based does not reflect the lower likelihood of eligibility among some sub-groups of employees who may also face a higher risk of unemployment (such as youth). This indicator has remained relatively constant in recent years, as the vast majority of paid employees have stable, long-lasting jobs. The remaining 11.6% of paid employees did not have enough hours of insured employment to meet the eligibility requirements for establishing an EI claim. Potential eligibility for adult women decreased by 0.8 percentage point to 84.5%, while access for adult men increased by 1.1 percentage points to 92.3% between December 2001 and December 2002.

[17] Forthcoming study – *EI Use and Qualification by Industry, Province and Community*, Audit and Evaluation Directorate, HRSDC.

Comparing results for the unemployed (EICS) to the employed (SLID) indicates that eligibility tends to be lower among those who actually become unemployed. The slightly lower eligibility for the unemployed suggests that the unemployed population has a greater proportion of individuals with a more tenuous attachment to the work force, making them less likely to be eligible for EI benefits due to insufficient insurable hours of work.

The EI program has specific provisions for contributors who are unlikely to qualify for benefits. Individuals with insured earnings of less than $2,000 are entitled to a refund of their EI premiums when they file an income tax return. According to Canada Revenue Agency data, in 2002, over $15 million in EI premiums was refunded to 656,870 individuals, representing 5% of those in paid employment.[18]

Immigrants

Recent immigrants (those who have been in Canada less than 10 years) are more likely than Canadian-born individuals to be new entrants or re-entrants (NEREs) to the labour market and therefore tend to face higher entrance requirements. Many studies have found that immigrants have more difficulties finding a job. As a result of the difficulties recent immigrants have encountered within the Canadian labour market, low income rates among recent immigrants have moved upwards.[19]

Data from the Canadian Out of Employment Panel (COEP) survey show that immigrants are slightly more likely (29.2% versus 26.6%) to be NEREs than are native-born Canadians. However, among NEREs, immigrants are more likely to meet the increased entrance requirement of 910 hours (40.9% versus 28.0%) than are native-born Canadians. The reasons for this result have not yet been explored. This issue will be examined in evaluation monitoring work to be conducted for the *2005 Monitoring and Assessment Report*.

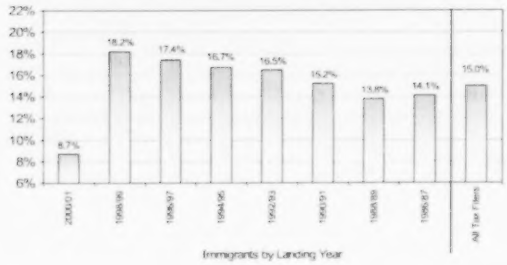
The EICS shows that, in 2003, among the unemployed population with recent job separations that qualify under EI program rules, immigrants were less likely than Canadian-born workers to be eligible for EI benefits (80.3% versus 84.7%), and recent immigrants were particularly less likely to be eligible (73.7%). However, due to the relatively small sample size, EICS data for immigrants have a high level of variability from year to year. Immigrants are less likely than Canadian-born workers to contribute to the EI program (60.2% versus 75.1%). Thus, immigrants appear to have more difficulty than Canadian-born individuals in getting a job with insurable hours, rather than in accessing the EI program once such a job has been found.

In order to better understand EI recipiency by immigrants, an analysis based on Statistics Canada's Longitudinal Immigration Database was also conducted. This database shows, among other things, the proportion of immigrant tax filers with EI income among immigrant tax filers with employment earnings. Overall, the analysis for the tax year 2001 indicates that few recent immigrants access the program. Access among immigrants tends to increase within two to three years of landing (refer to Chart 5), and then decline as the number of years since landing increases. Overall, immigrants tend to access the program in a proportion similar to that of all tax filers in Canada (15.2% versus 15.0%).

[18] Please note that figures for 1999 to 2001 have been revised: in 2001, $16.4 million in EI premiums was refunded to 690,030 individuals, in 2000, $18 million to 725,830 individuals and, in 1999, $19.4 million to 732,990 individuals.

[19] Garnett Picot and Feng Hou, *The Rise in Low-Income Rates among Immigrants in Canada*, Statistics Canada, Catalogue No. 11F0019MIE — No. 198, June 2003.

Chart 5: Percentage of Immigrants with EI Income Among Immigrants with Employment Earnings, Tax Year 2001 (IMDB and CRA Data)



Youth

Accessibility for youth was also examined. Young workers tend to have less work experience and, as mentioned in Chapter 1, youth are typically among the first to be adversely affected in times of economic slowdown and youth employment may also be slower to recover than that of other groups. Furthermore, youth are more likely to work part-time than workers aged 25 to 54 (45.1% of youth work part-time compared to 12.4% of workers aged 25 to 54). At the time of EI reform, higher eligibility requirements were implemented for new entrants and re-entrants (NEREs) to encourage workers to establish a significant attachment to the labour force before applying for EI benefits. Workers who enter the labour market for the first time (new entrants) and those who have limited work experience in the last two years (re-entrants) require 910 insured hours to qualify for EI rather than the variable entrance requirement for the region where they live. It has been noted in previous reports that this element of the program is achieving its objectives, as was evident from the increase in the hours of work accumulated by the affected population.[20]

Simulations based on data from the SLID showed that in December 2002, 36.9% of youth who were NEREs would have had sufficient insurable hours to collect EI benefits (more than 910 insurable hours) versus 83.4% of the youth who were not NEREs. Overall, the simulated rate of potential eligibility for paid employed youth is 64.1%. Further, according to the SLID, youth represented 36.9% of paid employees who were NEREs, while they accounted for 16.2% of paid employees in December 2002.

Additional analysis revealed that about one-third of all NEREs were living with their parents in December 2002. Furthermore, full-time students represented 27% of paid employees who were NEREs, while they accounted for 11% of all paid employees. The analysis also indicates that NEREs were three times more likely than non-NEREs to be working part-time jobs.

Impact of Bill C-2

Bill C-2 (effective October 1, 2000) redefined the classification of a NERE by stating that an insured person would not be a new entrant or a re-entrant (and therefore not be subject to the higher entrance requirements for NEREs) if the person had been paid one or more weeks of maternity or parental benefits in the 208-week period preceding the period of 52 weeks before their qualifying period. This change was made to ensure parents returning to the work force following an absence to raise young children would not be penalized. Findings in a recent HRSDC study indicate that the new definition of NEREs has not significantly changed the percentage of individuals who are NEREs.[21]

[20] Forthcoming study – *EI Reform and New-Entrants/Re-Entrants to the Labour Market*, Audit and Evaluation Directorate, HRSDC.
[21] *Ibid.*

Older Workers

Older workers face unique challenges when they are unemployed. A study of unemployed older workers was undertaken using COEP data.[22] The study found that there was no difference between the percentage of older workers and workers aged 25 to 54 qualifying for or collecting EI between October 2000 and September 2002. Older workers tended to remain unemployed longer — 33.6 weeks compared to 23.3 weeks for workers aged 25 to 54. In general, older workers had lower education levels than workers aged 25 to 54 (39.1% of older workers had less than high school education, compared to 18.9% of workers aged 25 to 54), and were more likely to be in part-time or seasonal work.

2. Access to Fishing Benefits

Although fishing benefits represent a relatively small part of the EI program (2.2% of total income benefits paid in 2003/04), they play an important role in providing income support within fishing communities. Unlike regular benefits, eligibility for fishing benefits is based on insured earnings rather than insured hours. Under the earnings-based system, fishers qualify for benefits with a minimum of between $2,500 and $4,199 in insured earnings from fishing, depending on the unemployment rate in their region. For new entrants and re-entrants to the fishery, a minimum of $5,500 of earnings is required to qualify. As with regular benefits, the threshold for new entrants and re-entrants is higher to encourage workers to develop a greater degree of work force attachment before becoming eligible for EI benefits.

Harvest values within the fishing industry have increased by 35% since 1996/97, while the earnings-based entrance requirements have not changed.[23] As a result, entrance requirements may be too low relative to the level of revenues in the fishery. In 2003/04, 96.4% of fishers qualified for benefits with earnings in excess of the new-entrant eligibility requirement of $5,500, unchanged from previous years.

The activities of the commercial fishing industry are unique in that periods of activity are separated into two distinct seasons: summer fishing from March 1 to November 1, and winter fishing from September 1 to March 31. Administrative data show that a growing number of fishers are active in both seasons and are qualifying for benefits after each season (refer to Chart 6). As mentioned in previous reports, an information campaign took place in 2000 and 2001 to make fishers aware that they can file two claims (one per season) in a single year and that they can antedate previous fishing claims.[24] In 2003/04, a total of 9,701 fishers established two claims, a 14.6% increase over the previous reporting period. On average, fishers with two claims received 18 weeks of benefits per claim, in comparison to 23 weeks in the case of fishers establishing a single claim during the year. Also of note is that the total number of fishers qualifying for benefits is not declining in spite of the recent cod moratorium.[25] Since 2000/01 the number of fishers claiming EI has increased from 24,629 to 27,510, an increase of 11.7%.

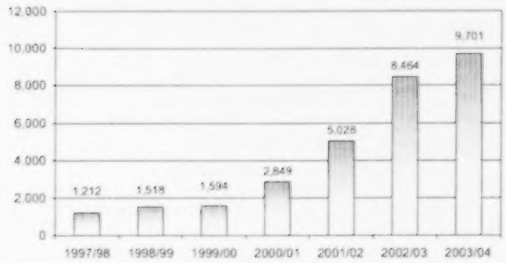
[22] Forthcoming study – *A Note on the Characteristics of Unemployed Older Workers Using COEP*, Audit and Evaluation Directorate, HRSDC.

[23] See http://www.dfo-mpo.gc.ca/communic/statistics/commercial/landings/seafisheries/index_e.htm

[24] Fishers applied for benefits retroactively and a lump sum for all claims to which individuals were entitled was provided. These claims are not captured electronically and therefore are not part of our analysis. Refer to the *2002 Monitoring and Assessment Report* for more detailed information on the antedating of EI fishing claims.

[25] Following the ban on cod fishing between 1992 and 1998, on April 24, 2003, the Government of Canada announced the closure of three cod stocks in the Gulf of St. Lawrence and northeast of Newfoundland and Labrador. Quotas are set by the Department of Fisheries and Oceans on tonnage of fish allowed within the commercial fisheries.

Chart 6: Fishers with Two Claims



Further analysis indicates that the revisions to the benefit repayment provisions[26] in 2000 have increased EI fishing benefits and the proportion of fishers' total income coming from EI. Results from the summative evaluation[27] indicate the proportion of total income of fishers coming from EI rose from 22.3% in 1999 to 28.0% in 2001. Prior to the change in benefit repayment, provinces known to harvest higher-valued species had been witnessing a decline in fishing claims (most notably Nova Scotia and British Columbia). Since 2001/02, the first complete fiscal year since the new repayment regulations came into force, claim totals for those provinces have steadily increased (33.3% more claims in Nova Scotia and 18.5% more claims in British Columbia). The evaluation findings also indicate that in 2001 the average income among fishers was $31,100, which is roughly equivalent to that of the average Canadian worker.

3. Access to Special Benefits

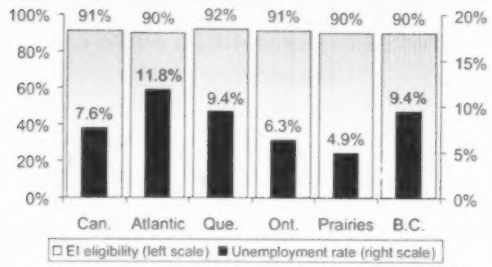
In addition to assisting Canadians who are unemployed and seeking to re-enter the work force, EI plays an important role in supporting working Canadians who are too sick to work, who need to stay at home with newborn or newly adopted children, and, most recently, who take a temporary leave from work to provide care or support to a gravely ill family member who faces a significant risk of death. In this section, access to maternity, parental and compassionate care benefits is examined.

Access to EI special benefits among paid employees was examined using simulations and data from the Survey of Labour and Income Dynamics (SLID). It was found that as of December 2002, 91.1% would have had sufficient insurable hours to collect EI special benefits had they needed such benefits at that time. Claimants require 600 insured hours of work to be eligible for special benefits. The proportion of individuals with enough insurable hours (also referred to as "potential eligibility" in this section) was consistently high across the country, ranging from 90% to 92% (refer to Chart 7), indicating the eligibility threshold for special benefits ensures equitable access for those who contribute to EI. Potential eligibility for individuals who worked exclusively full-time was 97.3% for both men and women, compared to 62.4% for individuals who worked exclusively part-time. In the case of part-time workers, 64.8% of women would have been potentially eligible to collect EI special benefits, compared to 54.9% of men. The lowering of the entrance requirements from 700 to 600 insured hours, which took effect on December 31, 2000, has improved access to all special benefits. In 2003/04, 21,670 new special benefits claims were established by claimants with between 600 and 699 insurable hours.

[26] Effective tax year 2000, the clawback provision was modified to exempt first-time claimants of regular and fishing benefits, and all claimants who receive special benefits. Moreover, the maximum repayment is the lesser of 30% of excess net income above the threshold of $48,750 or 30% of their benefits. Prior to these modifications, benefits were repaid at a rate of $0.30 for every $1 of net income above the threshold. For those who had collected 20 or fewer weeks of benefits in the last five years, the threshold was $48,750 of net income. The maximum repayment was set at 30% of benefits received. However, for those with more than 20 weeks of benefits in the last five years, the threshold was $39,000 of net income. The maximum repayment varied from 50% to 100% of benefits received.

[27] Forthcoming study – *Employment Insurance and the Canadian Fishing Industry*, Audit and Evaluation Directorate, HRSDC.

Chart 7: Potential EI Eligibility for Special Benefits Among Paid Employees and Unemployment Rate, by Region, December 2002



Maternity Benefits

In 2003/04, 201,610 EI claims for maternity benefits were established, an increase of 5.7% in comparison to the previous reporting period. An analysis using the EICS indicated that among women with children aged 12 months or less in 2003, 64.8% received maternity and/or parental benefits.[28] It should be noted that over 25% of mothers did not receive maternity/parental benefits because they had not worked in two years or more or were self-employed.

Among women with children aged 12 months or less in 2003 who had insurable employment in the year prior to childbirth, 86.4% received maternity and/or parental benefits. This proportion has been steadily increasing over the last four years. These findings indicate that the vast majority of women in paid employment can access maternity and parental benefits, even though a high proportion of women work part-time.

In 2002, a pilot project was launched to ensure that mothers on preventative withdrawal[29] from work were able to access full benefits for the entire 50 weeks of EI maternity and parental benefit leave.[30] Under the pilot project, women in receipt of preventative withdrawal benefits have the option of either receiving partial EI benefits in addition to preventative withdrawal benefits, or postponing EI maternity and parental benefits until after their preventative withdrawal benefits have terminated. Since the start of the pilot, 500 of the 848 participants, or 59%, have chosen to extend their benefit period by postponing their EI and maternity benefits. The claimants who chose to extend their benefit period received higher average weekly preventative withdrawal benefits for a longer period ($272 during 16 weeks on average) than the claimants who chose to receive partial EI benefits ($128 during 6 weeks on average). The pilot project will continue to be covered in future editions of the *Monitoring and Assessment Report*.

Parental Benefits

The parental benefits enhancements, effective on December 31, 2000, included several changes designed to improve benefit flexibility and to promote increased take-up by men. The extension of EI parental benefits was also accompanied by corresponding extensions for job protection under federal and provincial labour codes. The number of biological parental claims established by men (32,150) increased by another 10.5% in 2003/04, compared to an increase of 25.9% in 2002/03 and 77.8% in 2001/02, suggesting that men's participation in parental benefits is still increasing but at a slower rate, likely due to the maturation of the measure. Further, data from the EICS indicate that, in 2003, 11% of mothers reported that their spouses claimed or intended to claim parental benefits, a

[28] Statistics Canada, *The Daily*, June 22, 2004, Catalogue No. 11-001-XIE.
[29] Pregnant and nursing women in the province of Quebec receive income replacement for preventative withdrawal if they are employed in a job that may pose a threat to their health or to the health of the fetus or baby.
[30] Forthcoming paper – *Update Report of the Preventative Withdrawal Pilot Project*, Audit and Evaluation Directorate, HRSDC.

considerable increase from 3% in 2000.[31] However, it should be noted that women continue to establish the vast majority of parental claims (85.8%) and collect 30.3 weeks of parental benefits, on average, compared to 14.1 weeks, on average, for men.

The trend of increased sharing of parental benefits, identified in previous reports, has continued, as reflected in the ratio of parental to maternity claims. In 2003/04 there were 1.12 biological parental claims for every maternity claim, increasing from 0.96 biological parental claims per maternity claim in 1999/00, the fiscal year prior to the implementation of enhanced parental benefits. In addition to extending duration and improving accessibility, the enhancements to parental benefits also improved flexibility by allowing parents who share benefits to serve only one waiting period instead of two. In 2003/04, nearly 14,500 parental claims for men had their waiting period waived, providing further evidence of the increased sharing of benefits among parents.

Compassionate Care Benefits

As mentioned earlier, effective January 4, 2004, six weeks of EI compassionate care benefits were introduced. Since these new benefits were only available for the last three months of the current reporting period, it is too early to reliably assess the impacts of the compassionate care benefits in terms of take-up. The actual number of claimants was considerably lower than forecasted. Preliminary findings indicate that 2,033 claimants benefited from the compassionate care benefits in the first three months of 2004. Overall, $1.8 million was paid in compassionate care benefits for that period. The vast majority of claimants (71%) were women. Findings in a recent HRSDC study indicate that the province of residence did not seem to play a role in terms of take-up, even though a few provinces have not modified their legislation regarding compassionate care leave.[32]

Employers and provinces are encouraged to provide financial support to enhance EI benefits. The introduction of compassionate care benefits was also accompanied by job protection under federal and provincial labour codes. To date, all provinces and territories except Alberta, the Northwest Territories and British Columbia provide job protection during compassionate care leaves. Canada is one of the few countries in the world to offer compassionate care benefits to workers. Unlike Canada, most countries that have compassionate care programs restrict them to parents who are caring for sick children.

The next report will be the first to allow a more complete assessment of compassionate care benefits, including results of a formative evaluation launched in January 2005.

4. Access to Employment Benefits and Support Measures

Individuals can also access re-employment assistance under Part II of the EI program. Employment Benefits and Support Measures (EBSMs) are designed to develop the skills of unemployed Canadians and to help them to obtain and retain employment. As noted in Chapter 3, there were nearly 668,000 individuals who accessed active employment measures in 2003/04, an increase of nearly 5% over the previous reporting period.

Participation in EBSMs increased for active EI clients and former EI clients, while that of non-insured clients decreased slightly (by 2.5%). The more noteworthy increase was that of former EI clients (by 9.5%).

[31] Statistics Canada, *The Daily*, June 22, 2004, Catalogue No. 11-001-XIE.
[32] Forthcoming study – *Compassionate Care Benefits*, Audit and Evaluation Directorate, HRSDC.

Overall participation declined very slightly (by 0.7%) in long-term employment programs and increased in the shorter term employment services (by 8.8%). Among the employment programs, participation increased in Skills Development – Apprentices, but declined for all other employment program interventions. Increases in the utilization of employment services can be expected when moderately positive labour market conditions prevail. These can encourage unemployed workers to request short-term services that will help them to return to work more quickly.

Participation by designated groups in Part II programs remained relatively stable for all groups compared to previous years, decreasing or increasing by less than a percentage point for each group.

The key EBSM short-term indicators are returns to work and unpaid benefits. Returns to work measures the number of insured participants who have received support through EI Part II and are working in paid employment. For 2003/04, returns to work decreased slightly (by 1.4%) to nearly 219,000 clients. Unpaid benefits, or the difference between a claimant's maximum entitlement to Part I benefits and the benefits actually paid, increased marginally by 3% in 2003/04. A further measure, returns to work by intervention, showed that approximately 73% of EBSM clients who returned to work participated in only one intervention.

C. Adequacy of Benefits

As in previous reports, the adequacy of EI benefits is examined from a variety of perspectives. Adequacy is examined in terms of the level of the average weekly benefit, particularly with respect to low-income claimants with children. Adequacy is also examined in terms of the duration of regular and special benefits.

1. Level of Benefits

Since the 1996 reform, the maximum insurable earnings (MIE) has been $39,000. All earnings in the rate calculation period at or under that level are insured by EI and are used to determine the EI weekly benefits.[33]

In 2001, Bill C-2 confirmed the MIE would remain at $39,000 until the calculated value of annual average earnings catches up with this threshold, at which time the MIE will be revised to reflect this calculated value. The calculated value is called the projected annual average earnings (PAAE),[34] which is based on the average weekly earnings of the industrial aggregate in Canada as published by Statistics Canada.

Basing the MIE on the PAAE ensures, among other objectives, that EI claimants receive a benefit level comparable to that of average weekly wages. In 2004, the MIE under EI remained 7.6% above the PAAE ($36,256). Table 4 shows that the gap between the MIE and the PAAE continues to decline.

Overall, analysis indicates that the average weekly regular benefit under EI has been increasing at a rate that exceeds the growth in the PAAE. Since 1996/97, the average weekly regular benefit rate has increased from $272 to $312, or by 14.9%, exceeding the

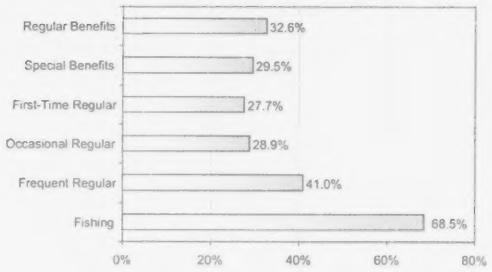
[33] Average weekly benefits are determined by dividing the total earnings in the last 26 continuous weeks by the greater of the number of weeks worked in the last 26 continuous weeks or the minimum divisor.

[34] The methodology used to obtain the Projected Annual Average Earnings for 2004 is outlined in the *Employment Insurance Act* and published in the *Report on the Maximum Yearly Insurable Earnings,* which is published by HRSDC's Actuary's Office. This methodology differs from that used from 1997 through 2002, where the average industrial Wage was calculated by fiscal year. The average industrial wage is now based on a year-over-year comparison (i.e., June 30, 2003, to June 30, 2004).

growth rate of the PAAE by 3.1 percentage points.[35]

In addition to examining the growth in the average weekly benefit rate, the proportion of clients at the maximum benefit rate ($413) was also analyzed. At the time of reform, concerns were raised that the MIE was substantially higher than the average industrial wage. The proportion of regular claims in receipt of the maximum weekly benefit rate increased from 31.6% in 2002/03 to 32.6% in 2003/04, reflecting increases in average wage rates.[36] It is important to note that first-time and occasional claimants are much less likely to be in receipt of the maximum benefit rate than frequent claimants and fishing claimants (refer to Chart 8).

Chart 8: Percentage of EI Claims Receiving the Maximum Weekly Benefit Rate (2003/04)



2. *Benefit Repayment*

The benefit repayment provision was modified, effective tax year 2000.[37] The analysis for tax year 2002 indicates EI regular beneficiaries had to repay $93 million of their EI benefits

Table 4
Difference Between the Maximum Insurable Earnings (MIE) and the Projected Annual Average Earnings (PAAE)

Year	MIE	PAAE	Difference	
			(%)	$
1996	$39,000	$31,781	22.7%	$7,219
1997	$39,000	$32,427	20.3%	$6,573
1998	$39,000	$32,912	18.5%	$6,088
1999	$39,000	$33,314	17.1%	$5,686
2000	$39,000	$34,104	14.4%	$4,896
2001	$39,000	$34,698	12.4%	$4,302
2002	$39,000	$34,942	11.6%	$4,058
2003	$39,000	$35,584	9.6%	$3,416
2004	$39,000	$36,256	7.6%	$2,744

[35] The PAAE increased from $32,427 in 1997 to $36,256 in 2004, which represents an increase of 11.8%.
[36] Data on the benefit rate were taken from the August 2004 Status Vector.
[37] Effective retroactive to 2000, first-time claimants of regular or fishing benefits and all claimants who receive special benefits are exempt from the benefit repayment provision. Moreover, the maximum repayment is the lesser of 30% of excess net income above the threshold of $48,750 or 30% of their benefits.

(refer to Annex 2.14). This is almost 23% more than for tax year 2001. This increase in benefit repayment is explained by both the growth in the number of claimants affected by the provision, as 22.8% more regular claimants were affected, and the fact that a higher proportion of workers is earning more than the threshold. In fact, 103,090 claimants repaid some of their EI benefits in 2002, compared to 83,981 in 2001.

As in previous years, men comprised the vast majority (91%) of claimants affected by the repayment provision. The number of men affected by the repayment provision increased by 22.4%. Similarly, the growth was 26.7% for women, though women continue to represent a small proportion of those affected.

Analysis of tax year 2002 indicates that an estimated 73,657 special benefit or first-time claimants did not have to repay an estimated $111 million in EI benefits.

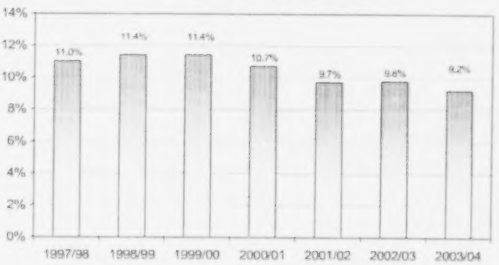
3. *Benefits to Low-Income Families – Family Supplement*

Adequacy of EI benefits is also assessed by examining the effectiveness of the Family Supplement in providing additional income support to low-income families with children.[38] The Family Supplement replaced the 60% dependency benefit rate for low-income individuals with dependent children under previous legislation (Unemployment Insurance) and was designed to better target assistance to low-income claimants.[39] The Family Supplement increases the benefit rate from 55% to a maximum of 80% for unemployed parents with net family incomes of $25,921 or less.[40]

As indicated in Chapter 2, approximately 181,000 individuals received the Family Supplement top-up in 2003/04, compared to about 183,000 for the previous reporting period. This represents a 1% decrease.

As noted in previous reports, the proportion of EI claimants receiving the Family Supplement top-up has declined since 1998/99 to reach 9.2% for this reporting period (refer to Chart 9). This decline can be traced to family income increasing while the Family Supplement threshold remains fixed at $25,921. A recent study confirmed that the fixed threshold has led to a decreased share of Family Supplement claims relative to all EI claims.[41]

Chart 9: Proportion of Claimants with Family Supplement



In 2003/04, $187 million in additional benefits was paid to low-income families, an increase of 2.5% from 2002/03, with the average weekly top-up being $42. Total Family Supplement payments to women increased by just over 3%, while payments to men increased by almost 1%.

Women continue to be the primary recipients of the Family Supplement. In fact, women represented 88% of all Family Supplement top-ups paid to claimants of special benefits.

[38] This includes all claim types (regular, fishing, special).
[39] Please refer to Annex 1 of the *2000 Monitoring and Assessment Report* for more detailed information on the Family Supplement replacing the dependency provision that existed under Unemployment Insurance.
[40] Like other claimants, claimants receiving the Family Supplement are subject to a maximum weekly benefit of $413.
[41] Forthcoming study – *Family Supplement*, Audit and Evaluation Directorate, HRSDC.

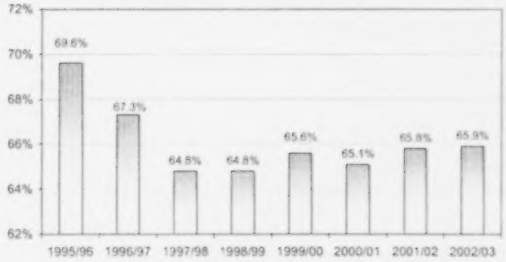
Women's share of regular EI claims with the Family Supplement constituted two-thirds. From all women claimants, 14.8% are entitled to the Family Supplement, in comparison to 4.4% of men who claim EI. This is down from 2002/03, when these proportions were 15.6% for women and 4.9% for men.

As indicated in the 2003 Report, the Family Supplement does not appear to have a disincentive effect on work patterns, as the average number of weeks on UI/EI, excluding maternity and parental benefits, has decreased for both claimants in receipt of the dependency rate/Family Supplement and for other claimants.[42]

4. Regular Claim Duration

Regular EI beneficiaries can receive between 14 and 45 weeks of income support, depending on the unemployment rate of the region in which they establish a claim. EI reform reduced the maximum number of weeks from 50 to 45 weeks. This led to concerns about the adequacy of EI benefits for claimants who are between jobs. As in previous reports, results indicate that, on average, regular beneficiaries collected less than two-thirds of the weeks of benefits they were eligible to receive (refer to Chart 10).[43] It is noteworthy that the proportion of entitlement used remained relatively stable through the economic slowdown of 2001/02 and the subsequent recovery in 2002/03. The longer term analysis indicates that, on average, the proportion of entitlement used by regular claimants is down in comparison with the 1995/96 level (69.6%).

Chart 10: Proportion of Entitlement Used by Regular Claimants



In 2002/03, the percentage of entitlement used was highest in Prince Edward Island (75.2%), Newfoundland and Labrador (74.6%), New Brunswick (70.3%) and Nova Scotia (70.2%), reflecting higher unemployment rates and fewer job opportunities in these provinces. The percentage of entitlement used was lowest in Ontario, where the average entitlement used slightly decreased in 2002/03 from 63.9% to 63.1%. Men, on average, used 65.0% of their entitlement to regular benefits, which is consistent with previous years. Women used 67.3% of their entitlement, on average, which is also about the same as in the previous period (67.1%).

Another way to assess whether the number of weeks of entitlement is sufficient is to examine the degree to which claimants exhaust all of their weeks of benefits. Results for 2002/03 indicate that the proportion of regular beneficiaries who used all their weeks of benefits increased by 0.4 percentage point to 31.2%, despite the economic recovery in 2002/03.

The proportion of women who exhausted benefits (33.9%) increased slightly from the previous reporting period (33.2%). The proportion of men who exhausted benefits (29.4%) remained relatively stable compared to

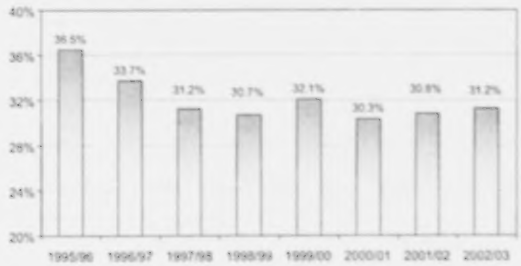
[42] Administration of the Family Supplement is based on data periodically received from the Canada Revenue Agency. In certain cases this results in an adjustment or adjustments being made to a claimant's benefit rate later in the claim process.

[43] It is important to note that the data and analysis on claim duration are lagged to reflect the 2002/03 period, in order to measure completed claims.

that of 2001/02. The higher exhaustion rate for women may be attributable to the fact that women, on average, are entitled to fewer weeks of benefits (31.8 versus 33.3 weeks for men) as a consequence of establishing claims for benefits with generally fewer hours of insurable employment (women work part-time hours more often than men). It is also important to note that, on average, youth (under 25) had the lowest (29.6%) exhaustion rate among all age cohorts, since they enter and exit the labour market more frequently while attending school. In comparison, older workers (55 and older) had the highest exhaustion rate at 39.1%. As mentioned in Chapter 1, older workers, once unemployed, often face challenges becoming re-employed.

Despite slight increases in 2001/02 and 2002/03 (refer to Chart 11), the proportion of regular EI claimants exhausting their entitlement is well below that seen in 1995/96 (36.5%).

Chart 11: Proportion of Regular Claimants Exhausting Benefits



At the time of EI reform, concerns were also raised that more individuals might need to turn to social assistance because their maximum weeks of entitlement had been reduced. Findings from an HRSDC study indicate that only a small proportion of individuals who lost their job moved on to social assistance 10 to 12 months after job loss.[44] The study concluded that use of social assistance by EI clients declined from 6.2% in 1995/96 to 3.8% in 2001/02.[45] It is important to note that the proportion of claimants who turned to social assistance remained significantly lower than in the pre-reform period. Another study, prepared by the former HRDC,[46] confirms that only a small proportion of individuals who exhaust their EI entitlement move on to social assistance within a year. However, it also shows that individuals may not appear as social assistance clients until after some time has elapsed.

It must also be acknowledged that some of the decline in EI claimants turning to social assistance may be due to the National Child Benefit, introduced in 1998, which increased payments to low-income families with children. Part of the decline may also be attributable to changes in eligibility for provincial and territorial social assistance programs.

5. *Special Benefits Claim Duration – Maternity and Parental*

A key objective of the enhancements to maternity and parental benefits was to allow parents to spend more time at home with their newly born or adopted children by extending the number of weeks that benefits are available. The analysis for this reporting period indicates that a significant portion of the available entitlement is being collected (refer to Chart 12). When parental benefits are combined with maternity benefits and the waiting period, parents are using at least 91% of the full year

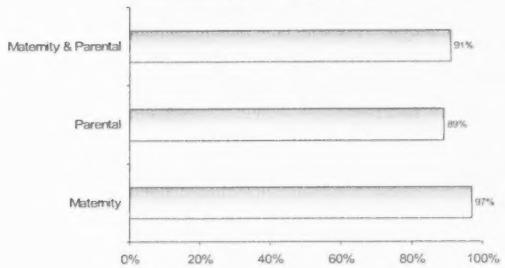
[44] Forthcoming study – *Did the Exhaustion of UI/EI Benefits and the Take-up of Social Assistance Change After EI Reform?* Audit and Evaluation Directorate, HRSDC.

[45] These results are based on the Canadian Out-of-Employment (COEP) survey, which is conducted approximately 12 months after job separation.

[46] Alex Grey, *Employment Insurance and Social Assistance: Evidence on Program Interaction*, Applied Research Branch, HRDC, January 2002.

available to them.[47] The enhancement in parental benefits has met its objectives and provides families with increased flexibility to care for their newly born or adopted children for an extended period of time.

Chart 12: Proportion of Entitlement Used by Maternity and Parental Claimants (2003/04)



A full evaluation studying many aspects of the EI parental benefits program has been completed and will be published soon.[48] The two main strengths reported were that the program allowed claimants more time to be with the child/children and improved the parent-child relationship. When asked to suggest improvements, respondents generally indicated they were not looking for major changes, though the replacement of a higher fraction of income would be welcome. Another recent study indicated that, since 2001, the total duration of Canadian benefits compares favourably to international standards.[49] Most countries with a longer duration eventually move to a flat-rate benefit or a lower replacement rate towards the end of the parental period. However, the level of benefits offered in Canada is lower, particularly in comparison to the first-stage maternity benefits available in many countries (Germany, Italy, France, Sweden, Finland and Norway). Canada is also one of the only countries that has a two-week waiting period.

A forthcoming study examines the impact of enhanced parental benefits in terms of determinants of mothers' time at home following childbirth.[50] The study finds that prior to 2001, approximately 64% of mothers who received EI had returned to work within seven months following childbirth. However, of mothers who had given birth in either 2002 or 2003, just under 16% had returned to work in this same time frame. Furthermore, the study found that it was mothers who received EI benefits who accounted for the majority of the observed increases in length of time at home after childbirth. Among mothers who were surveyed in 2003, those who received EI benefits spent or planned to spend an average of 10.9 months at home with their child. This was up from 6.9 months among those surveyed in 2000. Among those who did not receive EI benefits, the average amount of time at home also increased, but by a smaller amount. These mothers averaged 5.9 months in 2000 and 7.4 months in 2003. The study also found that the self-employed, who do not have access to EI benefits, returned to work much more quickly than those in paid employment. While the lack of income support was seen to be important, the need to maintain their client base and network also influenced the decision of the self-employed to return to work more quickly.

The Family Supplement also appears to be working as intended, by ensuring that lower income claimants can take advantage of maternity and parental benefits. Beneficiaries in receipt of the Family Supplement collected, in 2003/04, the same number of weeks of maternity and parental benefits as those not in

[47] To ensure that the analysis of weeks paid is based on completed claims, the data cover all parental claims that commenced during the first half of the reporting period.
[48] Forthcoming study – *Evaluation of EI Parental Benefits*, Audit and Evaluation, HRSDC.
[49] Forthcoming study – Shelley Phipps and Lynn Lethbridge, *International Comparison of Maternity/Parental Benefits*.
[50] Forthcoming study – Adrienne ten Cate, *Determinants of Mothers' Time at Home after Childbirth: The Role of Maternity and Parental Leave Policy*, McMaster University Dissertation.

receipt of the Family Supplement (45.7 weeks on average). This suggests that the Family Supplement top-up is allowing lower income workers to stay home with their children.

Under the *Employment Insurance Act* and Regulations, employers and provinces are encouraged to provide financial support to enhance EI benefits. It is thought that these Supplementary Unemployment Benefits (SUB), referred to as voluntary top-ups, may influence the length of time that individuals collect maternity and parental benefits. The study on determinants of mothers' time at home after childbirth examined the issue of top-ups and found that approximately 18% of mothers with paid employment in the year prior to childbirth received a top-up from their employer. Even though the average length of time off for mothers who received top-ups was similar to that of all employees, the study found that those who received a top-up were less likely to have short leaves and were more likely to return to work within one year. This could be because receiving a top-up is often conditional upon returning to the same employer after childbirth and returning within a specified amount of time. A previous study also determined that the probability of receiving a top-up to EI was significantly associated with household income and a mother's education.[51] Among mothers who received EI benefits, those who had a higher household income in the month before childbirth and those who were university educated were more likely to receive a top-up than other mothers. It is also noteworthy that voluntary top-ups are most prevalent in the education, health services and non-profit industries, in forestry, mining, oil and gas extraction, and in finance and insurance. The likelihood for paid employees to have a SUB plan is greater among full-time than part-time employees and among those who are covered by a collective agreement.[52]

6. Bill C-49

Effective March 3, 2002, Bill C-49 changed the period for claiming special benefits and increased the maximum number of combined weeks of special benefits from 50 to 65 to ensure full access to special benefits for biological mothers who claim sickness benefits prior to or following maternity or parental benefits.

Prior to Bill C-49, claimants could receive a maximum of 50 weeks of special benefits. Since the total number of weeks of special benefits available totalled 65 (15 sickness, 15 maternity, 35 parental), this created situations in which some biological mothers needed but were unable to collect their full entitlement of special benefits. With the introduction of compassionate care benefits, the maximum number of combined weeks of special benefits was revised to total 71 weeks under certain circumstances.[53]

This year's report is the first for which preliminary data allowing analysis of the impact of Bill C-49 are available. In 2003,[54] almost 10,500 biological mothers, or 3% of all women who received special benefits, received more than 50 weeks. This number is down by 14% from the 12,200 who benefited from the change in 2002, even though the provision was not in place for all of that year.

[51] Adrienne ten Cate, *Determinants of Mothers' Time at Home after Childbirth: Evidence from Canada*, presented at the Canadian Economics Association Meetings, Toronto, June 4 to 6, 2004.

[52] Workplace and Employee Survey, Statistics Canada, 2001 and 2002.

[53] Combining weeks of special benefits to the maximum of 71 is only possible if the weeks of special benefits are consecutive and uninterrupted by any period of regular benefits.

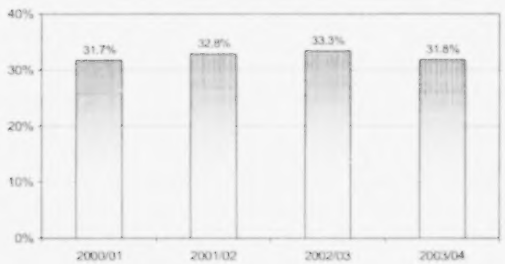
[54] Data and analysis on the effects of Bill C-49 are lagged in order to measure completed claims. Analysis for 2003 does not include data on compassionate care benefits, as these were implemented in 2004. Therefore, the maximum number of special benefit weeks was still 65.

Future editions of the *Monitoring and Assessment Report* will continue to analyze the impacts of Bill C-49.

7. Special Benefit Claim Duration – Sickness

EI claimants can access up to 15 weeks of sickness benefits, which are designed to help clients who cannot work due to short-term illness, injury or quarantine. An analysis of the adequacy of sickness benefits is based on the number of weeks of sickness benefits collected. On average in 2003/04, claimants collected 9.4 weeks, or 63%, of the maximum entitlement. In addition, 31.8% of sickness beneficiaries collected the maximum 15 weeks of benefits, a slight decrease from 33.3% in 2002/03. Over the last four reporting periods, this proportion has been relatively stable (refer to Chart 13). It should also be noted that 47.4% of sickness claimants collected between 11 and 15 weeks of benefits, with 21.8% receiving between 6 and 10 weeks, and 30.7% receiving between 1 and 5 weeks of benefits.

Chart 13: Proportion of Sickness Claimants Using 15 Weeks of Benefits



As mentioned in the *2003 Monitoring and Assessment Report*, the collection of the maximum 15 weeks of sickness benefits continues to be monitored and assessed. An additional analysis of EI administrative and Canada Pension Plan – Disability (CPPD) data of claimants who collected the maximum 15 weeks of sickness benefits was undertaken. The analysis of EI sickness claimants who used all 15 weeks of benefits and later accessed CPPD benefits was performed by examining EI claims established in calendar year 2001 that had received CPPD by the end of calendar year 2003.[55] The results indicate that of all sickness claimants who used 15 weeks of benefits, just 10% received CPPD benefits afterwards. Three-quarter of sickness claimants who used all 15 weeks of benefits did not apply for CPPD. Among individuals who accessed CPPD, 81% were still in receipt of CPPD benefits by the end of 2003. The remaining individuals were no longer in receipt of CPPD for the following reasons: 63% were deceased, 25% had reached the age of 65 and moved into the regular CPP program, 11% had returned to work and 2% were cured. The use of sickness benefits will continue to be monitored and assessed in future reports.

8. Trends in Seasonal Claims

In 2003/04, there were an estimated 410,000 seasonal claimants[56] in Canada. Seasonal claimants are mainly men (65.2%) and about half were aged 45 and over. Only 2.7% of all seasonal claimants were youth (aged 24 or younger).

There were seasonal claimants in all economic regions: Montréal (8.5% of total), Newfoundland and Labrador (8.4%), Central Quebec (6.7%), Restigouche–Albert (6.3%) and Toronto (4.2%) were among the regions with the highest concentrations. This indicates that seasonality among claimants is a phenomenon that affects both urban and rural regions, which contrasts with the stereotype of seasonal

[55] The province of Quebec has its own pension program, which was not covered in the analysis.

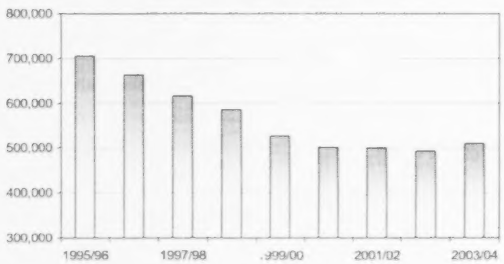
[56] Seasonal claimants are frequent claimants who started previous claims at about the same time of the year as their current claim. Frequent claimants are defined as individuals who have had three or more active claims in the five years prior to their current claim.

claimants mostly living in regions with poor economic conditions.

On average, seasonal claimants and all regular claimants have similar work patterns prior to establishing EI claims and similar claim characteristics. Almost three-quarters (74%) of seasonal claimants worked six months more than the minimum entrance requirements prior to their claim, compared to 80% for all regular claimants. In terms of claim characteristics, the average number of weeks of entitlement (32.5 for seasonal claimants compared to 32.8 for all regular claimants) and the number of weeks of benefits used (17.4 versus 19.2 for regular) are comparable.

As mentioned in Chapter 2, frequent claimants are largely associated with seasonal work. In fact, 80% of the 510,000 frequent claimants in 2003/04 had a seasonal pattern in their claim history.

Chart 14: Number of Frequent Claimants



Administrative data indicate that the absolute number of frequent claimants has moved downward since 1995/96 (refer to Chart 14). This result is supported by a recent study[57] that suggests there has been a marked decline in the incidence of repeat use among younger workers, which is consistent with seasonal employment patterns and the trend towards rising educational attainment.

Moreover, a widely held belief suggests that frequent claimants represent a stable group of workers who return to EI year after year over a long period of time. However, a 2003 study[58] indicated that for some individuals, this is temporary as they work towards gaining full-year, full-time employment. In fact, the study suggested that only one-third of frequent claimants remain so over time.

9. Seasonal Gappers

As seen in Chapter 2, some seasonal claimants have a combined work/benefit period of less than 52 weeks per year, thus exhausting their EI benefits, possibly resulting in a "gap" in their income stream. Such claimants are often referred to as "seasonal gappers." In 2003/04, there were 26,680 seasonal gappers in Canada and they represented about 1.7% of all regular claimants.

These individuals often face a limited working season, sporadic employment durations and, in many rural areas, a lack of off-season employment alternatives. Effective June 6, 2004, a new two-year pilot project was introduced to help workers employed in part-time, non-standard and seasonal work reduce their annual income gap. From June 6, 2004, to June 4, 2006, EI regular claimants living in 24 affected EI economic regions will have access to five additional weeks of entitlement.

Based on 2003/04 administrative data, the pilot project can be expected to eliminate the gap of five weeks for 7,800 individuals. An additional 5,800 seasonal gappers with a gap of more than five weeks would also benefit from the pilot by seeing their income gap reduced.

[57] Forthcoming study – Rick Audas, David M. Gray and Ted McDonald, *Repeat Use and the Persistence of EI Receipt in Canada.*
[58] Shawn de Raaf, Anne Motte and Carole Vincent, *Dynamics of Reliance on EI Benefits: Evidence from the SLID,* Social Research and Demonstration Corporation, 2003.

A further 80,000 to 100,000 claimants, other than seasonal gappers who also live in areas included in the pilot project, may benefit from the five weeks of additional entitlement. The two-year pilot project will test, in EI economic regions where the unemployment rate was 10% or more, whether an additional five weeks of EI benefits will help reduce the annual income gap faced by workers employed in part-time, seasonal and other non-standard employment. The pilot will also assess the labour market impacts of providing five additional weeks of benefits to EI claimants.

An evaluation of the pilot will be conducted and results will be reported in future reports.

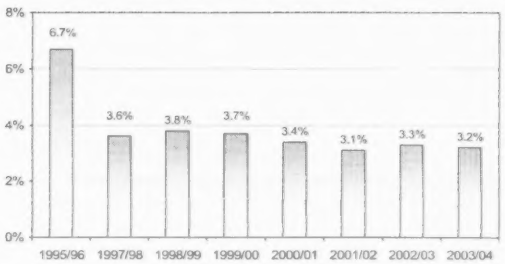
IV. Promoting Work Force Attachment

In addition to providing temporary income support, an important objective of EI is to promote work force attachment. As a result, the EI program has been designed with certain features that are meant to strengthen the link between work effort and benefits. While there are several features within the program that are intended to encourage labour market attachment, the analysis in this chapter focuses on three specific elements: the divisor, working while on claim and the Small Weeks provision.

1. Divisor

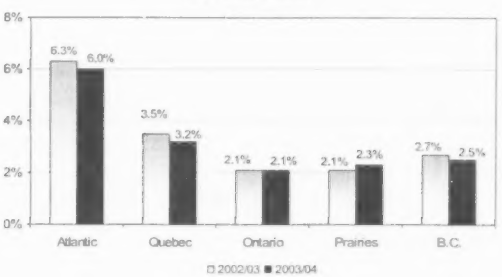
Under the "divisor" rule, all claimants are required to work two weeks beyond their minimum entrance requirement to be entitled to full benefits.[59] As noted in previous reports, the analysis using administrative data indicates that the proportion of individuals who did not work at least two weeks beyond their minimum entrance requirements dropped from 6.7% just prior to EI reform (1995/96) to 3.6% immediately after the reform (1997/98). This proportion has remained relatively stable since, indicating the divisor, when introduced, had an immediate effect on the characteristics of claims being established (refer to Chart 15).

Chart 15: Proportion of All Regular Claims Affected by the Divisor



As indicated in Chart 16, a higher proportion of claimants in the Atlantic provinces and Quebec receive less than their maximum weekly benefits due to the divisor than in Ontario and the Western provinces. However, it is noteworthy that the share of claimants in Atlantic Canada with insured weeks between the minimum entrance requirements and the divisor dropped from 19.5% just prior to EI reform to 7.0% in 1997/98, where it has since remained relatively stable, indicating that claimants have been able to find the additional work necessary to qualify for full benefits.

Chart 16: Proportion of Regular Claims Affected by the Divisor, by Region



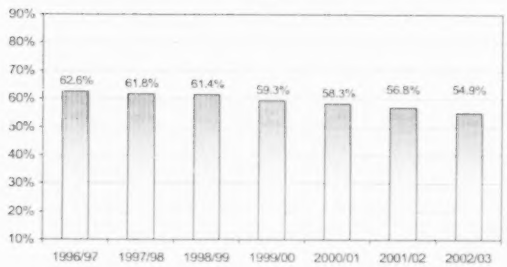
[59] Refer to Chapter 2 of the *2001 Monitoring and Assessment Report* for descriptive information on the divisor.

2. *Working While on Claim*

The working while on claim provision is designed to encourage work force attachment by allowing claimants to accept available work without being penalized. Many other countries have similar provisions in their employment insurance programs. In Canada, claimants may earn 25% of their weekly benefit rate or $50, whichever is greater, without incurring a reduction in their weekly benefit rate. Employment earnings above the allowable earnings threshold are deducted dollar for dollar from the claimant's weekly benefit. If a claimant's weekly benefit is reduced to zero, then that week of entitlement may be deferred for later use within the benefit period.

There has been a steady decline in the proportion of regular claimants reporting work while on claim, indicating the provision may not be encouraging claimants to accept all available work while on claim. In 2002/03,[60] the proportion of regular claimants working while on claim fell to 54.9%, compared to 62.6% in 1996/97 (refer to Chart 17).

Chart 17: Proportion of Regular Claimants Working While on Claim



While the decline in working while on claim has occurred among all types of EI claimants (first-time, occasional and frequent), the composition of those working while on claim has shifted. In 2002/03, frequent claimants represented 40.5% of those who worked while on claim, whereas in 1996/97 they made up 46.5% of the total. First-time claimants were 27.4% of those working while on claim in 2002/03, up from 21.3% in 1996/97. The proportion of those working while on claim who were occasional claimants has remained steady at around 32%.

Frequent claimants are more likely to work while on claim than first-time or occasional claimants: nearly two out of three (65%) frequent EI claimants work while on claim, while fewer than half of first-time claimants (45%) do so. Among occasional claimants, 54% worked while on claim in 2002/03.

The majority of EI weeks worked while on claim (63.6%) were "full weeks" for which no EI benefits were paid. As no benefits were received, such a week would not count as a week of EI entitlement used and could be deferred for later use within the benefit period. Only a small proportion (9.2%) of weeks worked while on claim had earnings below the allowable earnings threshold, while just over one-quarter (27.2%) of weeks worked while on claim had earnings greater than allowable earnings yet below the weekly benefit, such that EI benefits were reduced for each dollar above the allowable earnings amount.

Frequent claimants were the least likely to work a partial week while on claim, as more than 74.5% of the weeks worked while on claim among frequent claimants were "full weeks." Research has indicated that a claimant's EI history is the most important determinant of the way in which the provision is used,[61] perhaps owing to the complexity of the provision.

[60] Analysis of the working while on claim provision has been lagged by one year to ensure that claims are completed. The definition of working while on claim includes all claimants who earned income during their EI benefit period.

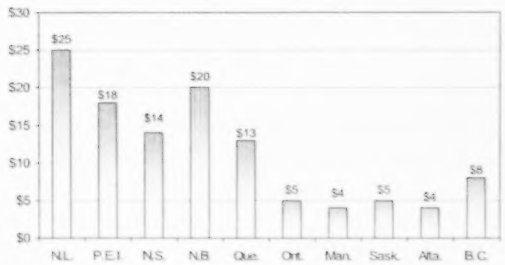
[61] Social Research and Demonstration Corporation, *Understanding Employment Insurance Claim Patterns: Final Report of the Earnings Supplement Project*, March 2004.

The same body of research has shown that, though claimants who work while on claim tend to spend fewer consecutive weeks on claim, they also tend to be more likely to make future claims. This makes sense, since working while on claim is largely associated with individuals who have a seasonal pattern in establishing claims.

3. Small Weeks

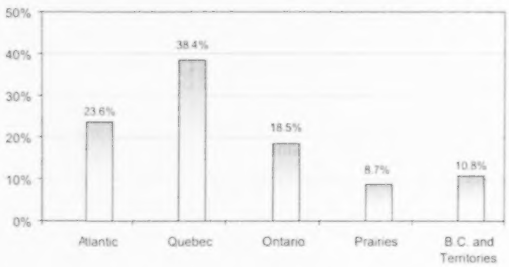
The Small Weeks provision excludes from the benefit calculation weeks with earnings of less than $225, or "small" weeks, so that these will not affect workers' potential EI entitlement on a future claim, hence encouraging these workers to accept all available work. Results for 2003/04 indicate that 12.5% (246,826) of all EI claims established were affected by the Small Weeks provision. This represents an increase of 2.7 percentage points over the previous reporting period (9.8%). The revised earnings threshold ($225, up from $150), effective September 7, 2003, affected the number of EI claims including small weeks in 2003/04, even though the new threshold was effective only for the second half of the reporting period. The number of EI claims with small weeks increased by 16.1% during the first half of 2003/04 in comparison with 2002/03, while it increased by 46.7% during the second half of the reporting period.

Chart 18: Average Weekly Small Weeks Top-Ups, by Province (2003/04)



EI administrative data indicate that the Small Weeks provision is providing clients with a higher weekly benefit rate. On average, weekly benefits were $241, or $12, higher in 2003/04 than they would have been without the Small Weeks provision. This compares to $12 in 2002/03. Clients in Atlantic Canada and Quebec received on average the highest small weeks top-ups (refer to Chart 18). EI claimants in Newfoundland and Labrador received, on average, weekly benefits $25 higher in 2003/04 than they would have been without the provision. In contrast, EI claimants in Manitoba and Alberta received, on average, weekly benefits that were $4 higher with the Small Weeks provision. In 2003/04, Atlantic Canada and Quebec also accounted for most small weeks claims (refer to Chart 19).

Chart 19: Distribution of Small Weeks Claims (2003/04)



The Small Weeks provision appears to be beneficial for women and youth. In 2003/04, women established 60.5% (149,439 out 246,826) of those EI claims that included small weeks, a slight decrease from 62.3% in 2002/03. Of all EI claims established by women, 16.6% included small weeks. In contrast, 9.1% of all EI claims established by men included small weeks. EI administrative data also indicate that youth benefited from the Small Weeks provision. In 2003/04, the proportion of all EI claims established by youth with small weeks was 16.7%, versus 11.8% for prime-age workers and 12.6% for older workers.

The analysis of claims with small weeks by EI history indicates that those who rely most heavily on the EI program, such as seasonal workers and others in non-standard employment, do benefit from the provision. In 2003/04, frequent claimants established 59.3% of all EI claims with small weeks, while first-time and occasional claimants accounted for 36.1% and 4.6%, respectively.

Overall, the longer term increase in claims that include small weeks suggests the provision is achieving what it set out to do: allowing workers to accept all available work and strengthen their attachment to the labour force. The Small Weeks provision, with its revised low earnings threshold, will continue to be monitored and assessed in future reports. Furthermore, 2004/05 will be the first full reporting period for which the new higher threshold will have been available.

V. Evaluation of Employment Benefits and Support Measures

1. Overview

In the first phase of Employment Benefits and Support Measures (EBSM) evaluations, formative evaluations were focused on program design, delivery and implementation issues. In the second phase, summative evaluations are focusing on the presence or absence of incremental and longer term program impacts on clients.

As part of EBSM program performance measurement, summative evaluations examine key impact indicators for both active and former EI clients[62]–including participants' employment, earnings and reliance on government income support in the post-program period. The evaluations also examine other program outcomes, such as participant skills acquisition and program relevance to employers and communities.

Summative evaluations focus on the four employment benefits (Skills Development, Targeted Wage Subsidy, Self-Employment and Job Creation Partnerships), and one client-focused support measure, Employment Assistance Services.[63]

At the core of the summative evaluation methodology is the measurement of incremental program impacts on EBSM participants.[64] The methodology relies on data derived from client surveys and from EI and social assistance administrative records.[65] It looks at pre- and post-program experiences of participants in comparison to similar individuals[66] who did not participate in the program. In measuring impacts, the evaluations focus on start and end dates of

[62] An "active EI client" is defined as someone for whom a benefit period is established; a "former EI client" – is an EI client for whom a benefit period is not established but who falls under the definition of "client" provided in the *Employment Insurance Act* (an unemployed person whose benefit period has ended within the previous 36 months or for whom a benefit period has been established in the previous 60 months and who was paid special benefits under section 22 or 23 of the EI Act during the benefit period).

[63] The two other support measures, Labour Market Partnerships, and Research and Innovation, are not focused on single clients. Newfoundland and Labrador is the only jurisdiction looking at Labour Market Partnerships in its summative evaluation.

[64] Incremental or net impacts refer to impacts on individuals over and above what would have occurred without the assistance of the program. Net or incremental impacts differ from "gross measures." Gross measures do not take account of what would have happened in the absence of the program.

[65] Analysis of administrative records is done only for surveyed clients who provided their consent. Future evaluations will use Canada Revenue Agency data.

[66] Summative evaluations of EBSMs employ a comparison group methodology in the estimation of incremental impacts. Through demographic matching comparison group members are chosen to be as similar as possible to program participants. However, there is the possibility that they may differ in some unobservable characteristics (such as motivation). Further statistical adjustments are employed to adjust for the effects of any such possible differences.

interventions,[67] and they report program results based on the principal EBSM taken by clients.

2. Status of Summative Evaluations

In most jurisdictions, a joint federal-provincial/territorial evaluation committee oversees the management of all EBSM evaluation activities. In Ontario, where EBSMs are managed and delivered federally, the evaluation is being overseen by HRSDC. In Quebec, the province is responsible for the design of the methodology and the conduct of the summative evaluation, in discussion with HRSDC.

This year's report presents key emerging patterns and themes based on results from summative evaluations completed in three jurisdictions: British Columbia, Quebec, and Newfoundland and Labrador.[68] Additional evaluations are well underway in Nunavut, Alberta and Ontario.[69] Detailed results pertaining to these will be available at a later date.

3. Analysis of Program Net Impacts

EBSMs appear to yield some modestly positive net impacts on participants, depending on the program, client type and jurisdiction. Given the mixed nature of results, broad generalization of the results across interventions, client types and jurisdictions is not always possible. In addition it's important to note that net impacts are based on findings from three jurisdictions only: British Columbia, Quebec, and Newfoundland and Labrador. Table 5 presents an overview of the findings from the EBSM summative evaluations by client type and program for the four key indicators.

The summative evaluations are demonstrating how the specific socio-economic context affects the way EBSMs are implemented. Regional labour market needs tend to affect program planning, design and delivery, and program participation and selection. Further, client characteristics, such as educational levels, appear to have influenced participant selection and self-selection in ways that may have acted to limit ultimate program impacts. Additional analysis is underway to understand this dynamic better.

The socio-economic context may also affect the long-term effectiveness of particular interventions, and this is being looked at in the individual summative evaluations. Nevertheless, we can identify some trends in the evaluative work to date. A short synopsis of these preliminary general conclusions is provided below.

4. Types of Net Impacts

Employment in the Post-Program Period

Impacts on employment among active participants are mixed at best, depending on the regional context and program type.

For active EI clients in Skills Development, some positive impacts are being seen.

Among former EI clients, Targeted Wage Subsidy is showing some positive impacts on employment, depending on the regional context.

Client Earnings

Net impacts on earnings appear to be positive for former EI clients taking a Targeted Wage Subsidy and are mixed for clients taking Skills

[67] Based on administrative data, a unit of analysis, termed an "action plan equivalent," is derived and used in summative evaluations. It is defined as either a single intervention, or a series of interventions that are no more than six months apart.

[68] The British Columbia report will be released to the public in 2005; Quebec's report was released by the provincial government in the summer of 2004. This report excludes Self-Employment, which will be published in a separate report in 2005. The report for Newfoundland and Labrador is under approval for release in 2005.

[69] Summative evaluations have also been launched in two other jurisdictions: Saskatchewan and New Brunswick.

Development. For active clients in Skills Development, positive impacts on earnings are seen in most regions.

Client Use of EI

Net impacts on the incidence and duration of receipt of EI benefits among active and former clients tend to be negative. To some extent, this increase in EI benefits received in the post-program period is due to the nature of some EBSMs, which provide insurable income.

Client Use of Social Assistance

Overall there appears to be no widespread impact on subsequent use of provincial social assistance among active clients, but participation in some programs, in particular Skills Development, did lead to reductions in certain regions.

Among former EI clients, there are indications of positive impacts in terms of reductions in social assistance received, particularly in some regional contexts and for Targeted Wage Subsidy.

Table 5
EBSM Summary Chart of Net Impact Results[70]

Indicator	Client Type							
	Active				Former			
	Program Type				Program Type			
	SD	TWS	JCP	SE	SD	TWS	JCP	SE
Employment	Mostly positive impacts	Mostly no impact	Mixed results where evaluated	Mixed results where evaluated	Mixed results	Positive impacts where evaluated	Mixed results where evaluated	Negative impacts where evaluated
Earnings	Mostly positive impacts	No impact	No impact where evaluated	No impact where evaluated	Mixed results	Positive impacts where evaluated	Negative impacts where evaluated	Negative impacts where evaluated
EI Use	Mostly increased use of EI	Mostly increased use of EI	No impact where evaluated	Not applicable	Mixed results	Increased use of EI where evaluated	Increased use of EI or no impact where evaluated	Not applicable
Social Assistance (SA) Use	Mostly decreased SA use	Mixed results	Mixed results where evaluated	Increased use of SA where evaluated	No impact	Decreased use of SA where evaluated	Mixed results where evaluated	No impact where evaluated

[70] Positive: All impacts are positive where evaluated. Negative: All impacts are negative where evaluated. Mostly positive: Positive impacts in two out of three jurisdictions evaluated. Mostly negative: Negative impacts in two out of three jurisdictions evaluated. No impact All jurisdictions reporting no significant impact. Mostly no impact: In two out of three jurisdictions evaluations found no significant impacts; the remaining jurisdiction had either a positive or negative impact. Mixed: No dominant trend among jurisdictions. Not applicable: The measure is not relevant to a particular intervention (e.g., SEs are not eligible for EI). Where evaluated: Not all interventions were evaluated in every jurisdiction.

Employers and Communities

From the perspective of employers, the programs show positive outcomes in terms of participant skills gains.[71] Employers do, however, raise some skepticism over EBSMs' effectiveness and role relative to the needs of the overall labour force. Employers also express some doubt about the programs' effectiveness in adequately addressing their needs and interests and the balance of labour supply and demand. There is limited evidence, for instance, of a net impact in terms of EBSMs facilitating a supply of workers into occupational sectors, in the jurisdictions where this issue was examined.

The potential for positive outcomes on communities depends on the specific socio-economic context and labour market needs. Further analysis of the findings is needed around the role of EBSMs in balancing labour supply and demand, and in remote communities where ties to traditional economies exist.

Analysis of available findings is underway in one jurisdiction in relation to the Labour Market Partnerships support measure, a vehicle under EBSMs aimed at fostering labour market adjustment.

Client Satisfaction and Perceptions

Client satisfaction levels for EBSMs tend to be high overall, in some jurisdictions, but particularly for Skills Development. Among Targeted Wage Subsidy participants, satisfaction levels tend to be lower. Further analysis is needed to determine what aspects of the program design and application may be contributing to this.

EBSM participants report positive effects on skills acquisition, motivation, and interest in and pursuit of further training. Perceptions among participants relating to self-esteem and self-confidence also tend to be positive—particularly for Skills Development, Self-Employment and other programs, depending on the regional context.

5. Impacts by EBSM

Skills Development

Active clients in Skills Development see mostly positive impacts on employment and earnings, along with decreased use of social assistance. However, increases in receipt of EI have been observed. Former clients show mainly mixed results.

Targeted Wage Subsidy

Former clients under Targeted Wage Subsidy are seeing positive impacts on employment, earnings and their use of social assistance. Former clients do show, however, an increase in their EI receipt. To some extent, this could be attributed to the fact that this program provides an insurable income during participation. Among active clients, impacts tend to be mixed, depending on the regional context.

While employer satisfaction with the Targeted Wage Subsidy program is high, client satisfaction tends to be low. Further analysis is needed to determine the extent to which this is due to either the program design or other factors, such as employer relations.

Job Creation Partnerships

Overall impacts of the Job Creation Partnership program, where the program is evaluated, tend to be mixed in terms of earnings, use of EI and social assistance, client perceptions and satisfaction levels.

[71] Under the summative evaluations in British Columbia and Newfoundland and Labrador, the relevance of EBSMs to employers and communities has been examined through various lines of inquiry. These include qualitative methods such as focus groups and interviews with employers.

Self-Employment

Participants of the Self-Employment program report positive outcomes in terms of their perceptions of skills acquisition and satisfaction levels. Overall, where the program is evaluated, impacts on employment, earnings and use of EI[72] and social assistance are mixed.

Employment Assistance Services

Employment Assistance Services are widely accessed support measures. However, as most of these measures are of short duration and often taken in combination with other employment benefits, impacts on employment and earnings are not significant. Client satisfaction and perceptions regarding interest in training and job readiness tend, however, to be strong.

6. International Comparisons

Much of the literature on active labour market programs relates to the United States and Canada. European countries and Australia have only recently begun to conduct rigorous evaluations of their employment programs. Indications from EBSM summative evaluations are fairly consistent with international comparisons, even where methods of evaluation vary.[73]

A brief review of the Organization for Economic Cooperation and Development (OECD) literature[74] on active measure evaluations shows that outcomes for participation in public training programs, job search assistance and self-employment subsidies are generally positive or mixed.[75]

Public Training Programs – The results for participation in public training programs are positive for adult women but mixed for adult men. Overall, no program seems to be effective for youth.

Job Search Assistance – Job search assistance program evaluations show positive outcomes in the United States, United Kingdom and Sweden, but no significant impact in the Netherlands.

Subsidies to Private Sector Employment – Subsidies to help the unemployed start their own businesses are successful in some cases. In most countries, private employment subsidies work better than public training programs or direct job creation schemes.

The modestly positive effects on participant employment and earnings that are being seen for Skills Development and Targeted Wage Subsidy, for instance, are consistent with international studies that show the benefits of interventions that offer a combination of work experience and training.

Caution is needed in the generalization of international findings, given the unique and dynamic nature of the active labour market programming context and specific evaluation approach in any given country.

VI. Work Force

1. Work Sharing

As described in Chapter 2, the EI program includes a Work Sharing initiative designed to facilitate a redistribution of work among employees of a firm to avoid layoffs. Work

[72] Earnings of self-employed persons are non-EI insurable.

[73] For example, random-assignment or experimental methodologies may be used.

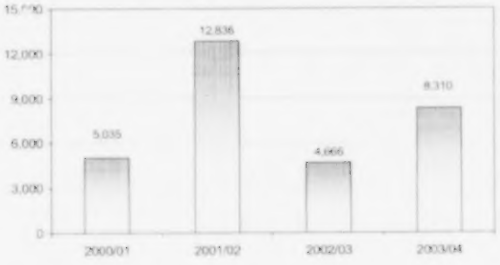
[74] John P. Martin, and David Grubb, *What Works and for Whom: A Review of OECD Countries' Experiences with Active Labour Market Policies*, Paris, OECD, 2001.

[75] Though not of direct interest in the context of EI Part II funding, it is worth mentioning that youth employment programs, with the notable exception of Job Corps (U.S.), have not been successful. Job Corps was found to have yielded statistically significant earnings gains for disadvantaged youth.

Sharing provides income support to workers eligible for EI benefits who are willing to work a temporarily reduced work week when there is a reduction in the normal level of business activity that is beyond the control of the employer.

An evaluation of the Work Sharing program, which is under Part 1 of the EI Act, was completed during 2003/04. The evaluation examined the role and effectiveness of the program in the current economic environment, and concluded that the Work Sharing program performs largely as intended and does avert a considerable number of temporary layoffs.[75] The program has proven itself to be particularly useful in supporting the labour market through times of unexpected labour market interruptions. Firms that participated in the Work Sharing program were generally very supportive of the program, and evidence suggests firms believe the program helps employee morale and helps firms retain skilled employees through temporary business slowdowns.

Chart 20: Temporary Layoffs Averted Through Work Sharing



During 2003/04, 30,972 new Work Sharing claims were established and it is estimated 8,310 temporary layoffs were averted as a result of Work Sharing agreements. Given that the economy grew more moderately than the previous year, Canadian exports fell and a number of unanticipated shocks affected the economy, the Work Sharing program was used to a far greater extent than in the previous reporting period, with 84% more claims established and 78% more layoffs averted (refer to Chart 20). To support firms coping with the unanticipated shocks in 2003/04, HRSDC increased flexibilities in the administration of the Work Sharing program to help industries affected by severe acute respiratory syndrome (SARS), bovine spongiform encephalopathy (BSE), the British Columbia fires and floods, Hurricane Juan and declines in the automotive industry.

2. Work Sharing While Learning

Work Sharing While Learning (WSWL) was a variation of the existing Work Sharing program. This pilot program added a training component to the traditional Work Sharing program and was designed to address difficulties experienced by businesses in EI economic regions with an unemployment rate of 10% or greater.

To participate in WSWL, an employer must have planned to undergo restructuring within the company and have been prepared to develop a significant restructuring and training plan to support its WSWL application. Employees of firms with a WSWL agreement had access to EI benefits and worked reduced hours. As part of the restructuring plan, the employer must have identified its specific employee retraining needs and these had to be related to the employer's work force skill needs. The employer must have funded the training of the employees selected for the WSWL program. The training component had to comprise at least 30% (or a minimum average of four hours per week per participant) of the total non-productive time over the duration of the WSWL agreement.

[75] Forthcoming study – Evaluation of the Work Sharing Program, Audit and Evaluation Directorate, HRSDC.

As of March 31, 2004, there had been no uptake of the WSWL program. A recent report examined the WSWL and possible reasons for the lack of take-up.[77] Among the possible reasons: firms may be unable to pay to train a large portion of their work force; firms may often find it impossible to make use of structured training courses if they vary their production and work force utilization from week to week in an unpredictable manner; a large portion of the training provided by Canadian firms is on-the-job; and workers, especially those with seniority who are not likely to face layoff, may be unwilling to accept a drop in wages if they are not compensated with increased time off.

This program was piloted for a two-year period, sunsetting on December 15, 2004.

3. *Apprentices*

The Government of Canada announced in the 2001 budget that apprentices collecting EI while away from work on training would be subject to only one waiting period, though there may be multiple separate training segments of one course stretched over a number of years to encourage ongoing skills development. All waiting periods for subsequent apprenticeship claims will be waived. This is the first *Monitoring and Assessment Report* for which this new policy for apprentices has been active. Year-over-year comparisons of apprenticeship claimants who are not subject to a subsequent waiting period will be possible in future reports.

In 2003/04, there were 30,500 apprentice claims, an increase of 10.8% over 27,520 claims in 2002/03. Total benefits paid to apprentices reached $99.4 million in 2003/04, a 14.9% increase over the previous reporting period. The average benefit rate was $346, with just over one-third of apprentice claimants (11,430) receiving the maximum benefit rate of $413. In comparison, the average weekly rate for regular benefits was $312. Of the apprentice claims in 2003/04, 5,900 were not subject to a waiting period. Apprentices received an average 9.5 weeks of benefits in 2003/04, which is comparable to 9.2 weeks in 2002/03. These figures suggest that training segments tend to be over two months in length. Men represented 96% of apprentice claims in 2002/03 (26,420) as well as in 2003/04 (29,200). In both 2002/03 and 2003/04, a large majority of apprentices (82.0%) came from three provinces: Alberta, Ontario and British Columbia. In 2003/04, Alberta had 11,260 claims, Ontario 8,580 and British Columbia 5,170.

Almost 75% of apprentices were employed in three industries: construction accounted for 14,460 claims (47.4%), retail trade for 4,480 (14.7%) and manufacturing for 3,770 (12.4%).

The *Monitoring and Assessment Report* will continue to assess the effectiveness of the provisions for apprentices and will provide details in future reports.

VII. Savings

1. *Savings*

In 1995 it was estimated that EI reform would generate a total of $2.025 billion or 11.4% of program expenditure in savings by 2001/02. As reported in the *2003 Monitoring and Assessment Report*, total savings for the period were estimated to be $1.2 billion. Readers should consult Chapter 5 of the *2003 Monitoring and Assessment Report* for a comprehensive analysis of the actual savings attributable to EI reform.

[77] Forthcoming study – Evaluation of Work Sharing While Learning and Increased Referrals to Training – Phase 1, Audit and Evaluation Directorate, HRSDC.

2. Violations

Effective January 1997, EI claimants who knowingly misuse EI receive a "violation," in addition to a financial penalty. Having received a violation, an individual must have additional insured hours of work to qualify for benefits in future claims. In 2003/04, there were 7,700 instances in which a benefit period was not established due to the higher entrance requirements resulting from violations. Based on the average regular claim duration (17.6 weeks) and average weekly regular benefits ($312) in 2003/04, this represents cost avoidance for the program of $42.3 million.

The number of violations imposed increased from 1997/98 until 2000/01, when the number peaked at 51,000. In 2001/02 the number of violations imposed declined to 45,000 and it has increased slightly each year since, to 47,000 in 2003/04. The portion of violations that were subsequent violations increased from 1997/98 to 2000/01, a year in which 20% of all violations were subsequent violations. In more recent years, the degree of subsequent violation has declined and 14% of all violations imposed in 2003/04 were subsequent violations.

Growth between 1997/98 and 2000/01 in the number of violations imposed and the incidence of subsequent violations can likely be attributed to the provision being new, since it became effective in January 1997. The more recent decline in violations imposed and the proportion of subsequent violations is consistent with the provision maturing and with a more balanced approach to the prevention and detection of misuse. The impact of the violation provision and renewed focus on prevention will continue to be monitored and assessed.

VIII. EI Income Benefits Summative Evaluation

As described in the *2003 Monitoring and Assessment Report*, a summative evaluation of the EI program is being undertaken to assess the impact of EI income benefits (Part I), their overall effectiveness in achieving EI policy objectives and the quality of service delivery.

For the purposes of this evaluation, the goals and expected impacts of EI have been identified. A logic model has been developed that distils the functioning of the program and its goals into a compact format, identifying the themes that should be examined.

Evaluation results will be organized under eight themes: program activities; EI coverage and eligibility; EI, income distribution and stability; EI, repeat use, seasonal work and communities; EI and changes in work incentives; fishing; the labour market (overall); and the distribution of work.

Preliminary results from many of the separate evaluations being conducted under the overall summative evaluation framework have been reported in this chapter. The summative evaluation report is expected to be finalized in the fall of 2005, with findings to be reported in the *2005 Monitoring and Assessment Report*.